

Oregon

Comprehensive Annual Financial Report



For the Year Ended June 30, 2002

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended June 30, 2002**

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Introductory Section



Oregon

John A. Kitzhaber, M.D., Governor

Department of Administrative Services

State Controller's Division
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Salem, OR 97301-3969
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December 19, 2002

The Honorable John A. Kitzhaber, M.D.
Governor of the State of Oregon

Citizens of Oregon

We are pleased to provide you with the Comprehensive Annual Financial Report of the State of Oregon for the year ended June 30, 2002, in accordance with Oregon Revised Statute 291.040. The financial statements included in this report are presented in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), and the American Institute of Certified Public Accountants (AICPA).

This report consists of management's representations concerning the finances of the State of Oregon. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework. The framework is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe the information presented is accurate in all material respects.

The Secretary of State Audits Division, the constitutional auditor of public accounts in Oregon, audited the State's financial statements for the year ending June 30, 2002. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The auditors tested evidence supporting the amounts and disclosures in the financial statements, assessed the accounting principles used and the significant estimates made, and evaluated the overall presentation of the financial statements. Based on the audit, the auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the financial statements for fiscal year 2002 are fairly presented in accordance with GAAP. Their audit report is the first component in the financial section of this report.

The audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the needs of federal agencies that provide aid to the State. The standards governing single audit engagements require the auditor to report on the State's internal controls and compliance with legal requirements, particularly as they relate to federal awards. These reports, also prepared by the Audits Division, will be available in a separately issued report on or about March 31, 2003.

Generally accepted accounting principles require us to provide a clear and objective narrative analysis of the State's financial activities to accompany the basic financial statements. This narrative, entitled Management's Discussion and Analysis (MD&A), follows the independent auditor's report in the financial section of this report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Government

The State provides services to Oregon's citizens through a wide range of programs including education, human resources, public safety, economic and community development, natural resources, transportation, consumer and business services, administrative support, legislative, and judicial programs. Oregon's primary government as reported in the accompanying financial statements consists of just over 100 state agencies. In addition to the primary government, we report two entities as discretely presented component units to emphasize that they are legally separate from the State. A more detailed discussion of the reporting entity can be found in Note 1 to the basic financial statements.

Oregon's Legislature adopts a budget each biennium, which forms the foundation for the State's financial planning and control. Details of the budget process and budgetary monitoring are presented in the notes to the required supplementary information.

Current Economic Conditions

Recent indicators reveal Oregon's economy is bottoming out of the recession. Several factors have contributed to this downturn over the past few years. Repercussions from the economic slump in Asia continued to dampen economic growth in 1999 and 2000. Added to this, the information technology sector crash and the ensuing manufacturing slump continued to slow business investment spending. While the State's economy was flirting with a recession in early 2001, the September 2001 terrorist attacks further softened job growth and reduced consumer confidence. During 2002, year over year job growth has marginally improved. The most recent Blue Chip Job Growth rankings placed Oregon 28th in the nation for year over year job growth between September 2001 and September 2002.

Although present conditions suggest that this recession is deeper than the last recession in 1990-1991, the extent of the downturn is milder than the 1980-1982 recession. On a year over year basis, job growth in the second quarter of 2002 was negative 1.4 percent. Again in the third quarter of 2002, employment growth was negative 0.6 percent. While these declines were spread across all sectors, the industries most impacted by job losses on a year over year basis include electrical machinery, non-electrical machinery, and construction.

Future Economic Outlook

In the near term, Oregon's employment growth is expected to remain weak. Although it appears the Oregon economy is bottoming out, the speed and strength of the recovery is uncertain, with a rising possibility of falling back into recession. This year will mark the fifth in a row that Oregon will grow slower than the U.S. economy. We expect Oregon's economy to finish 2002 with employment growth of negative 0.9 percent. The State's economic growth in 2003 should stay close to national growth rates. Employment growth of 1.3 percent is expected in 2003, followed by employment growth of 2.4 percent in 2004.

We expect several sectors to post gains in the next year or so, while other industries will likely decline. Manufacturing will likely post modest gains in 2003 and 2004, as the uncertainty of the economy gradually clears and businesses begin spending more on capital equipment. The high technology sector is expected to show a substantial drop for 2002; however, the slowdown in this sector will slowly reverse and post job gains in 2003. Even with continued low mortgage interest rates, growth in the construction sector is expected to be flat in 2003 with only marginal growth, largely due to the weak industrial and commercial side. Additional information on specific industries within the State is available on the Office of Economic Analysis web site at <http://www.oea.das.state.or.us>.

Employment growth is only one indicator of economic performance; there are many other factors to consider. For example, changes in personal income as well as wage and salary growth are reflective of ongoing economic conditions. We expect the State's personal income to finish 2002 with a rise of 3.4 percent, up from 2.5 percent growth in 2001. Stronger growth of 4.7 percent is expected for personal income in 2003, followed by 5.9 percent growth in 2004. In comparison, personal income for the U.S. will grow 3.2 percent in 2002, 5.0 percent in 2003, and 6.1 percent in 2004. Wage and salary income in Oregon will finish 2002 with mild growth of 1.1 percent followed by higher growth of 4.8 percent in 2003, and will increase in 2004 with growth of 7.2 percent.

Unemployment rates and population are also impacted by the changing economy. Oregon's unemployment rate started 2002 at 8.1 percent, fully 2.5 percentage points higher than the nation's rate. By October, Oregon's rate had declined to 7.0 percent, still 1.3 points above that of the nation. Oregon's rate is expected to remain above the nation's rate for at least a year or two as its capital goods manufacturing industries slowly adjust and recover. With the quality of life we enjoy, Oregon is still attracting new residents although not as rapidly as during the mid-1990's. The State's population will increase from 3.505 million in 2002 to 3.716 million in 2007, with an annual growth rate ranging from 0.96 to 1.3 percent.

The changing demographics in Oregon will continue to influence the type of services that citizens need their State government to provide. The fastest growth will occur in the 45-64 year olds and the 18-24 year olds. This is due to the baby boom generation and their children entering these age groups. The rapid growth in 18-

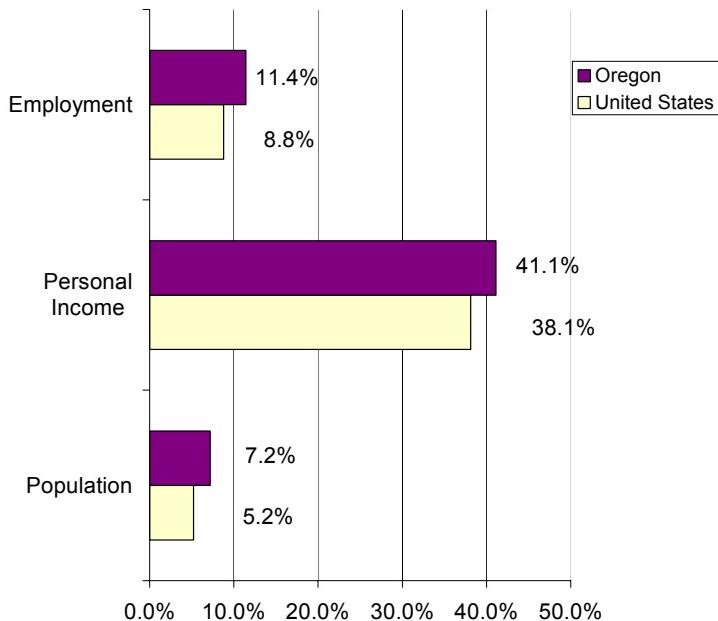
24 year olds through the next five years will place enrollment pressures on community colleges and public universities. These enrollment pressures have already surfaced for this fall's entering class. Within the elderly population of those 65 and older, the greatest increase will occur in the 85 and older age group. This will provide a significant challenge to Oregonians in determining how to care for our aging citizens.

There are several risks now facing the Oregon economy. Primary risks include the uncertain impact of the war on terrorism, a further major stock market correction, rising energy prices, and slower than expected recovery for semiconductors, software, and communications. If the stock market experienced another major correction, this could further slow already dampened consumer spending which is the main driving force in the economy.

In summary, Oregon's economy appears to be bottoming out of the recession, although the strength and speed of the expected recovery is uncertain. Employment growth is expected to be relatively flat during the upcoming year, with modest growth for the next several years, beginning in 2004. The manufacturing sector is expected to benefit from renewed business investment spending starting in the second half of 2003. The strength of personal income and consumer confidence will also have a significant impact on Oregon's economic recovery.

Oregon's employment, personal income and population growth are all expected to exceed the national average for the six-year period between 2002 and 2008, as shown by the chart below.

**Comparison of Long-Term Forecasts - Oregon and United States
Expected Growth from 2002 to 2008**



Cash Management

The State Treasurer is responsible for the control of cash and the investment of State of Oregon funds. The Oregon Investment Council, of which the State Treasurer is a member, establishes investment policy for all State funds. To further Oregon's economic growth, the Council's continuing policy has been to invest locally when they can find investments of comparable yield, quality, and maturity in-state without damaging portfolio diversity. Fortunately for Oregonians, State-imposed safeguards minimize the dangers of investing in highly leveraged financial instruments, which have been a cause of national concern.

State agencies deposit monies collected into the State Treasury. The State Treasurer pools all available cash into the Oregon Short-term Fund (OSTF), which invests in a variety of instruments. For the year ended December 31, 2001, the average monthly portfolio balance of the OSTF was \$7.5 billion and the average yield on these investments was 4.2 percent. The State Treasurer also manages separate investments for the Oregon Public Employees Retirement Fund, the Industrial Accident Fund, the Local Government Investment Pool, and numerous smaller funds such as the Insurance Fund and the Common School Fund.

The federal Cash Management Improvement Act requires that the federal government advance cash to the State in a timely manner. Conversely, the State must not draw federal cash in advance of needs. The State has established policies and procedures to comply with this act.

Risk Management

The Department of Administrative Services, through an insurance fund within the Central Services Fund, provides for the State's self-insurance programs and for the administration, investigation, and settlement of claims against the insurance fund. We explain this more fully in the notes accompanying the basic financial statements. In accordance with legislative directives, the insurance fund must operate on an actuarially sound basis.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) sponsors the Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of State and local government financial reports. GFOA awarded the Certificate of Achievement to the State of Oregon for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001.

To earn a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is only valid for a period of one year. The State of Oregon has received a Certificate of Achievement for each of the last ten years. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. We are committed to this effort and intend to maintain a highly qualified and professional staff to make Oregon's certification possible in the future.

Acknowledgements

The State Controller's Division takes great pride in the preparation of the Oregon Comprehensive Annual Financial Report. We greatly appreciate the professionalism, commitment, and effort of Statewide Accounting and Reporting Services and the other individuals involved. We also want to thank all state agencies for their continuing support in planning and conducting the financial operations of the State in a professionally responsible and progressive manner. Without the participation and cooperation of the agencies' fiscal units, the preparation of this report would not have been possible. In addition, we appreciate the contributions of the Office of Economic Analysis, the Budget and Management Division, the Oregon State Treasury, and the staff of the Secretary of State Audits Division.

Respectfully submitted,

(Signature on file at State Controller's Division)

John J. Radford, Administrator
State Controller's Division
State of Oregon

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

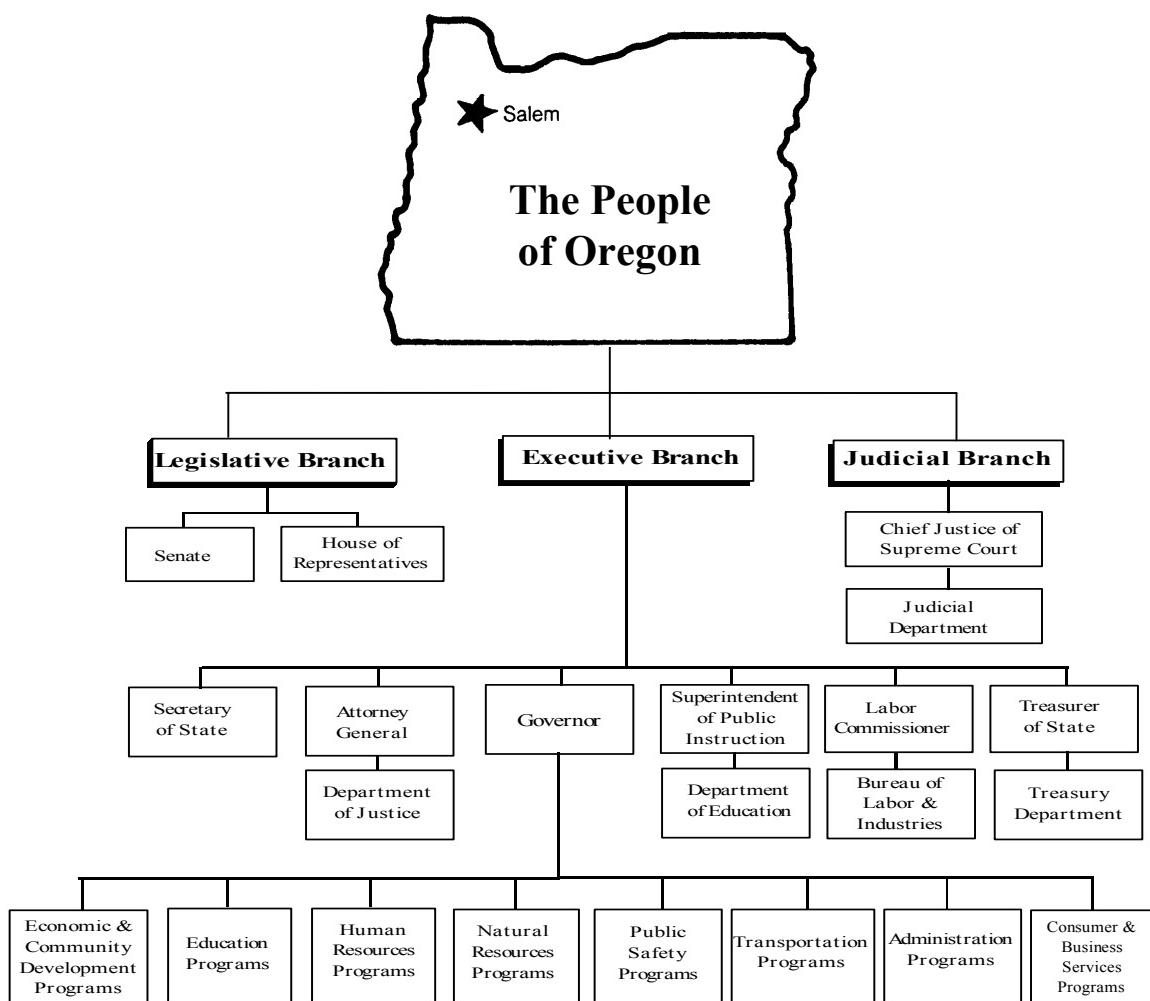
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Tomothy Grawe
President

Jeffrey L. Easer
Executive Director

STATE OF OREGON ORGANIZATION CHART



Principal State Officials



EXECUTIVE

John A. Kitzhaber, M.D., Governor

Bill Bradbury, Secretary of State

Randall Edwards, State Treasurer

Hardy Myers, Attorney General

Jack Roberts, Commissioner, Labor and Industries

Stan Bunn, Superintendent of Public Instruction

LEGISLATIVE

Gene Derfler, Senate President

Mark Simmons, Speaker of the House of Representatives

JUDICIAL

Wallace P. Carson, Jr., Chief Justice of the Supreme Court

“To Serve Our Public Well”

Mission of Oregon State Service

OFFICE OF THE

SECRETARY OF STATE

Bill Bradbury
Secretary of State



AUDITS DIVISION

Cathy Pollino
Director

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Auditing for a Better Oregon

The Honorable John Kitzhaber, M.D.
Governor of Oregon
254 State Capitol
Salem, Oregon 97310

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of and for the year ended June 30, 2002, which collectively comprise the State of Oregon's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Oregon's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Oregon Health and Science University, which represent 31 percent and 77 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oregon Health and Science University is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 22, the State of Oregon has implemented a new financial reporting model, as required by the provisions of GASB Statement No.34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of June 30, 2002.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Oregon, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 12 through 22 and 97 through 104 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Oregon's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we issue a report on our consideration of the State of Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. We issue that report under separate cover in our *Single Audit Report* for the State of Oregon.

OREGON AUDITS DIVISION

A handwritten signature in black ink, appearing to read "Bill Bradbury".

Bill Bradbury
Secretary of State

December 19, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State's comprehensive annual financial report presents our discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2002. This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund issues. This is the first year that government-wide financial statements have been published, so the information to discuss changes in the State's financial position under this new model will not be available until next year.

We encourage readers to consider the information presented in this analysis in conjunction with the transmittal letter beginning on page 2 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the State exceeded its liabilities at the close of the most recent fiscal year by \$13.8 billion (net assets). Of this amount, \$469.1 million (unrestricted net assets) may be used to meet the State's ongoing obligations to citizens and creditors, while \$3.0 billion is restricted for specific uses.
- The State's total net assets decreased by \$994.5 million as a result of the year's operations. The majority of the decrease is attributable to governmental activities in which the General Fund had a reduction in fund balance of \$1.1 billion.
- As of the close of the most recent fiscal year, the State's governmental funds reported combined ending fund balances of \$1.8 billion. Of this amount, 30.1 percent is available for spending at the State's discretion (unreserved, undesignated fund balance).
- At fiscal year end, unreserved fund balance for the General Fund was a deficit of \$1.2 billion.
- The State's total debt outstanding for bonds and certificates of participation increased by \$155.7 million (2.9 percent) during the fiscal year. New issues of debt for single-family and multi-family mortgage loans as well as highway and bridge construction contributed to this increase.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements*, *required supplementary information*, and an optional presentation of *combining financial statements* for nonmajor funds, internal service funds, and fiduciary funds. A *statistical section* is presented following the combining financial statements. The basic financial statements contain three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the State's finances, in a manner similar to a private-sector business. All of the State's activities are reported in the government-wide statements, except for activities accounted for in fiduciary funds because resources of those funds are not available to support the State's own programs.

- The *statement of net assets* presents information on *all* of the State's assets and liabilities, with the difference between the two reported as *net assets*.
- The *statement of activities* presents information showing how the State's net assets changed during the fiscal year. All of the changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues are

recognized when earned and expenses are recorded at the time liabilities are incurred. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes).

These two government-wide financial statements report the State's *net assets* and the change in net assets. Net assets, which represent the difference between assets and liabilities, are one measure of the State's financial health, or financial *position*. Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating. However, to assess the *overall health* of the State, you need to consider additional non-financial factors such as changes in Oregon's income tax base and changes in Oregon's economy.

The government-wide financial statements of the State are divided into the following three categories:

1. *Governmental activities.* This includes the basic services provided by the State to its citizens, such as K-12 schools and community colleges, public assistance programs, public safety and public transportation. Income taxes and federal grants finance most of these activities. The State's internal service funds, which provide services to other departments or state agencies, are included in governmental activities because these services predominately benefit governmental programs rather than business-type functions.
2. *Business-type activities.* The State charges fees to customers to help cover the costs of certain services it provides. For example, the State administers loan programs to provide housing to citizens with low incomes and those who are elderly or disabled. The operation of the State's lottery is also reported under business-type activities as well as the Oregon University System, consisting of seven higher education facilities.
3. *Component units.* The State includes two other entities in its report: Oregon Health and Science University and the SAIF Corporation. Although legally separate, these "component units" are important because the State is financially accountable for them. Financial information for these component units is reported separately from the financial information of the State itself (known as the *primary government*).

The government-wide financial statements can be found on pages 24-27 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant *funds* (not the State as a whole). Funds are accounting mechanisms the State uses to keep track of specific sources of funding and spending for particular purposes. Similar to other state and local governments, the State uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements. Some funds are required by state law (such as the Lottery Operations Fund) or bond covenants. The State establishes other funds to control and manage money for particular purposes (like health and social services) or to show that it is properly using certain taxes and grants (like gas taxes for transportation).

All of the State's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the State's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. Thus, the governmental fund statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the State's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide information following the governmental fund statements that reconciles the government-wide focus to the governmental fund focus.

The State maintains twenty individual governmental funds. Information is presented separately in the governmental fund financial statements for the four major governmental funds, including the general fund. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental fund financial statements can be found on pages 28-35 of this report.

Proprietary funds. Services for which the State charges customers a fee, similar to a business operation, are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long-term and short-term financial information. The State's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. We use *internal service funds* (the other type of proprietary fund) to report activities that provide services to the State's other programs and activities (such as the State's Central Services Fund).

The proprietary fund financial statements provide separate information for the State's five major proprietary funds. Data from the other nine proprietary funds are combined into a single, aggregated presentation. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of the nonmajor proprietary funds and for each of the internal service funds is provided in the form of *combining statements* elsewhere in this report. The basic proprietary fund financial statements can be found on pages 36-45 of this report.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. The State is the trustee, or *fiduciary*, for its employees' pension plan. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. Fiduciary funds are accounted for in a manner similar to proprietary funds.

All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities have been excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations. The basic fiduciary fund financial statements include the investment trust fund, the agency fund, and aggregated data for the State's pension trust and private purpose trust funds. Individual fund data for each of the pension trust and private purpose trust funds is provided in the form of *combining statements* elsewhere in this report. The basic fiduciary fund financial statements can be found on pages 46-47 of this report.

Discretely Presented Component Units

Combining statements that report activities of the State's component units, the SAIF Corporation and Oregon Health and Science University, can be found on pages 48-51 of this report. Although activity for component units is reported in the government-wide statements, the combining statements provide greater detail and additional information, such as cash flows.

Notes to the Financial Statements

The basic financial statements also include *notes*, which provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 52-94 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a section of *required supplementary information* (RSI), beginning on page 95, that contains budget-to-actual comparison schedules for all of the State's budgeted appropriated funds as well as accompanying notes to the RSI.

The combining financial statements referred to earlier are presented immediately following the required supplementary information beginning on page 105 of this report. These combining statements provide details about our nonmajor governmental funds, nonmajor enterprise funds, and internal service funds, each of which are added together and presented in single columns in the basic financial statements. The combining financial statements also provide details about the fiduciary funds when data has been aggregated in a single column in the basic financial statements.

A statistical section containing selected financial, economic, and demographic information is presented immediately following the combining statements.

The chart below summarizes the major features of the State's financial statements, including the portion of State government they cover and the types of information they contain.

Major Features of Oregon's Government-wide and Fund Financial Statements				
	Fund Statements			
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire State government (except fiduciary funds) and the State's component units	Activities of general government, such as education, human resources, and state police	Activities that are similar to private business, such as the Housing and Community Services and the Lottery Operations funds	Resources that belong to others but which the State holds as trustee, such as the Public Employees Retirement Fund
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Balance Sheet Statement of revenues, expenses, and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All long-term and short-term assets and liabilities, including both financial and capital	Only assets expected to be used up and liabilities that come due during the coming year or soon thereafter; no capital assets included	All long-term and short-term assets and liabilities, including both financial and capital	All long-term and short-term assets and liabilities, including both financial and capital
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. The State's *combined* net assets for fiscal year 2002 were approximately \$13.8 billion as shown in Table 1. Most of this balance consists of assets (largely infrastructure) added to the financial statements during the year as part of a change in accounting promulgated by the Governmental Accounting Standards Board. Prior to this reporting period, infrastructure was not reported in the financial statements. While there were a number of changes resulting from the new accounting standards, the addition of infrastructure had the largest dollar effect. The total amount of the accounting change reported in the government-wide financial statements is \$7.9 billion. Since the State uses its capital assets to provide services to citizens, the amount of net assets invested in capital assets, net of related debt, is not available for future spending.

An additional portion of the State's net assets (21.8 percent) represents resources that are subject to restrictions on how they may be used. The remaining balance of *unrestricted* net assets of \$469.1 million may be used to provide ongoing services to citizens and meet ongoing obligations to creditors.

Table 1
State of Oregon's Net Assets
June 30, 2002
(in millions)

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 4,363.4	\$ 6,721.7	\$ 11,085.1
Capital assets	10,759.4	923.0	11,682.4
Total assets	15,122.8	7,644.7	22,767.5
Long-term liabilities outstanding	2,683.8	3,536.9	6,220.7
Other liabilities	1,951.6	808.1	2,759.7
Total liabilities	4,635.4	4,345.0	8,980.4
Net assets:			
Invested in capital assets, net of related debt	10,031.6	282.8	10,314.4
Restricted	526.2	2,477.4	3,003.6
Unrestricted	(70.4)	539.5	469.1
Total net assets	\$ 10,487.4	\$ 3,299.7	\$ 13,787.1

Changes in net assets. The State's *combined* change in net assets for fiscal year 2002 was a decrease of \$994.5 million as shown in Table 2. This is the amount of change associated with operations for the year (as opposed to the accounting change). Most of the decrease is associated with governmental activities. Major factors that contributed to this reduction were recognition of a \$788.4 million liability for tax anticipation notes and recognition of a \$353.1 million liability for interfund borrowing of cash at June 30 in the General Fund. The economic recession in Oregon and the resulting unemployment and lower income tax collections have impacted operating results of governmental activities. The decrease in net assets for governmental activities is 7.2 percent of total net assets, while the change for business-type activities is less than one percent of total net assets.

Table 2
State of Oregon's Changes in Net Assets
For the Year Ended June 30, 2002
(in millions)

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 965.3	\$ 2,640.6	\$ 3,605.9
Operating grants and contributions	4,036.3	848.8	4,885.1
Capital grants and contributions	9.9	86.0	95.9
General revenues:			
Personal income taxes	4,096.4	-	4,096.4
Corporate income taxes	190.3	-	190.3
Other taxes	1,499.0	12.7	1,511.7
Other	67.3	.6	67.9
Total revenues	10,864.5	3,588.7	14,453.2
Expenses:			
Education – elementary and secondary	3,363.7	-	3,363.7
Human resources	4,399.2	-	4,399.2
Public safety	862.2	-	862.2
Economic and community development	289.1	-	289.1
Natural resources	494.4	-	494.4
Transportation	1,239.6	-	1,239.6
Consumer and business services	319.9	-	319.9
Administration	567.7	-	567.7
Legislative	27.9	-	27.9
Judicial	232.2	-	232.2
Housing and community services	-	94.7	94.7
Veterans' loan	-	79.9	79.9
Lottery operations	-	485.3	485.3
Unemployment compensation	-	1,030.4	1,030.4
University system	-	1,552.0	1,552.0
Other business-type activities	-	409.5	409.5
Total expenses	11,795.9	3,651.8	15,447.7
Increase (decrease) before transfers	(931.4)	(63.1)	(994.5)
Transfers	(61.9)	61.9	-
Increase (decrease) in net assets	(993.3)	(1.2)	(994.5)
Net assets – beginning	2,645.5	4,247.1	6,892.6
Cumulative effect of accounting change	8,922.9	(987.8)	7,935.1
Prior period adjustments	(87.7)	41.6	(46.1)
Net assets – beginning – as restated	11,480.7	3,300.9	14,781.6
Net assets – ending	\$ 10,487.4	\$ 3,299.7	\$ 13,787.1

Figure 1 below illustrates fiscal year 2002 revenues of the State as a whole, by source. Approximately 33.8 percent comes from other entities and governments in the form of operating grants and contributions (e.g., federal revenues). An additional 29.7 percent of total revenue comes from personal and corporate income taxes and 24.9 percent comes from charges for services provided.

Figure 1
State of Oregon's Revenue by Source
For the Year Ended June 30, 2002

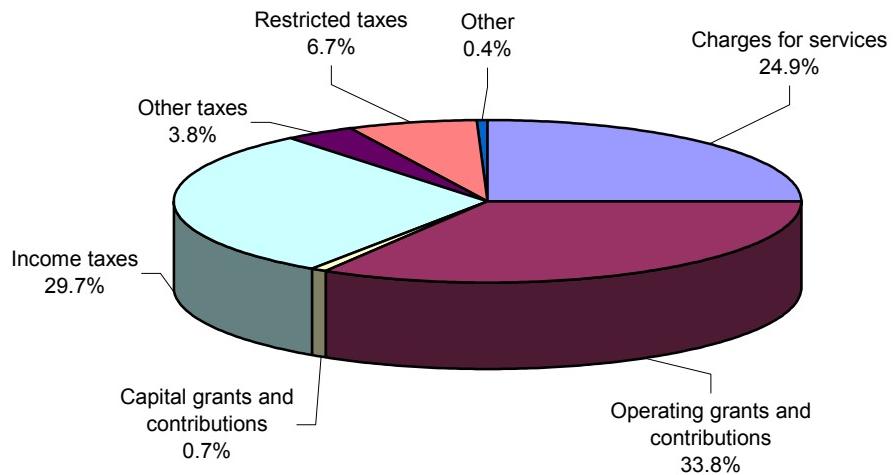
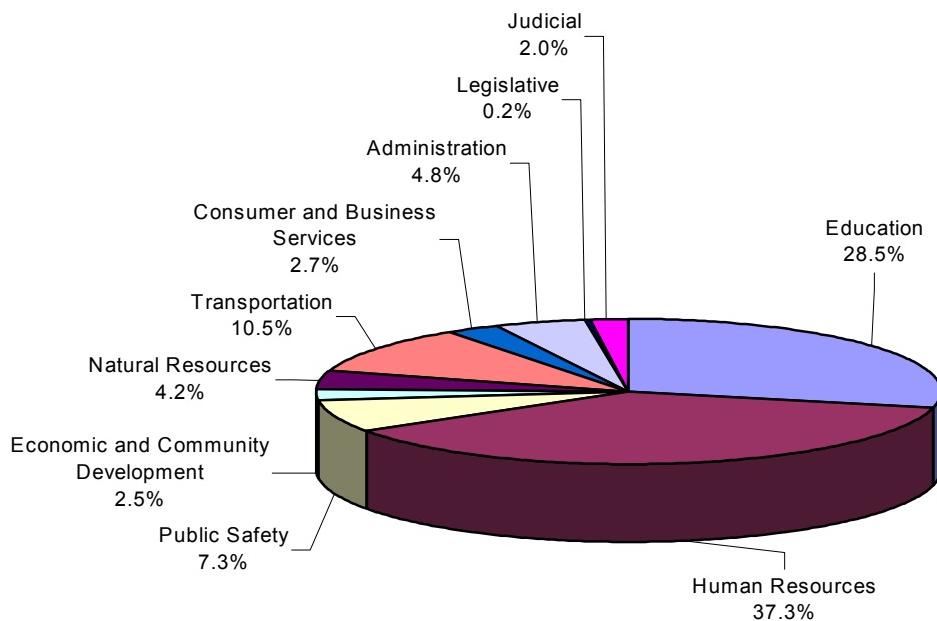


Figure 2 below shows the percentages of total governmental activity expenses for each function of the State. The largest portion of expenses is for human resources to provide for Oregon's citizens in need of assistance at 37.3 percent, with elementary and secondary education coming a close second at 28.5 percent of total expenses.

Figure 2
State of Oregon's Governmental Expenses by Function
For the Year Ended June 30, 2002



FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State of Oregon uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* financial resources. In governmental funds, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2002, the State's governmental funds reported combined ending fund balances of \$1.8 billion, a decrease of \$161.0 million in comparison with the prior year. This reduction in fund balances is primarily attributed to the results of operations in the general fund as discussed below. With the implementation of the new reporting model, fund balances of governmental funds increased \$419.3 million as some activities were reclassified to governmental funds from other fund types.

Approximately 30.1 percent of the total fund balance of governmental funds represents unreserved, undesignated fund balance, which is available for spending on governmental programs at the State's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed. For example, such commitments are to liquidate existing contracts and purchase orders, to pay debt service, and to generate income for financing public education through the Education Endowment Fund.

The general fund is the chief operating fund of the State. At the end of fiscal year 2002, unreserved, undesignated fund balance of the general fund was (\$1.2) billion, while total fund balance was (\$973.6) million. The deficit unreserved, undesignated fund balance indicates that reservations of fund balance exceed total fund balance. The deficit total fund balance indicates that spending and obligation of commitments during the fiscal year outpaced the accumulation of spendable financial resources, reducing the total fund balance by \$1.1 billion. Major factors that contributed to this reduction were recognition of a \$788.4 million liability for tax anticipation notes and recognition of a \$353.1 million liability for interfund borrowing of cash at June 30. These borrowings were needed to manage temporary cash flow deficits that occur because the timing of expenditures does not coincide with the timing of the collection of taxes and other revenues. Expenditures of the Health and Social Services fund increased by \$158.6 million over last year, primarily due to increased costs of the Oregon Health Plan.

Proprietary funds. The State's *enterprise funds* provide the same type of information presented for business-type activities in the government-wide financial statements, but in more detail. Net assets as a percentage of total assets in the Housing and Community Services Fund remained essentially unchanged from the prior year. This is a self-supporting activity, providing loans for housing that are funded through the issuance of bonds. Net assets of the Veterans' Loan Fund, a self-supporting loan program, increased 50.7 percent from the prior year. The majority of this increase resulted from adding to the fund \$42.4 million of cash that is held by an insurance carrier in a contingency fund for loan cancellation life insurance. During the fiscal year, an Attorney General opinion determined that this cash was an asset of the Veterans' Loan Fund. Distribution of lottery monies and operating costs exceeded ticket sales and investment income, attributing to a 21.5 percent decrease in net assets of the Lottery Operations Fund. In the Unemployment Compensation Fund, distribution of benefits exceeded employee-employer assessments and other income during the year, as Oregon's economic recession brought about greater numbers of people seeking unemployment benefits combined with the effects of unemployment assessments being paid for fewer workers.

Restrictions and commitments significantly affect the availability of Housing and Community Services Fund resources for future use. For example, net assets that will be used to fund single-family and multi-family mortgage loans or residential housing developments for elderly and disabled persons are restricted through bond covenants. A significant portion of University System Fund net assets are restricted for capital construction, higher education, debt service, and for purposes stipulated by donors of resources.

Fiduciary funds. Fiduciary funds account for resources held for the benefit of parties outside the government. Net assets of the Pension Trust Fund, which accounts for resources held in trust for the payment of retirement, disability, postemployment healthcare, and death benefits to members of the Public Employees Retirement System, decreased by \$2.2 billion. A decrease in fair value of investments during the year contributed greatly to this reduction in net assets. Net assets of all fiduciary funds are reported as held in trust for particular purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the first fiscal year of the 2001-2003 biennium, final budgeted expenditures for the general fund decreased by \$965.4 million from the original budgeted expenditures. This legislatively approved reduction, taken during the first three of five special sessions, balanced budgeted expenditures with revised projections of general fund revenue as of June 30, 2002. On a percentage basis, program areas most impacted by appropriation reductions were economic and community development, which was reduced by 30.5 percent, and education, which was reduced by 12.6 percent. Legislative action taken by June 30, 2002, reduced the General Fund portion of the 2001-2003 biennial State school funding by \$595.5 million. Much of this was replaced with other funding sources and a shift of one payment to the next biennium.

Revenue forecasts subsequent to June 30, 2002, projected further revenue shortfalls. State law requires a balanced budget; thus, revenue shortfalls must be absorbed within the current biennium. Legislative action in two subsequent special legislative sessions balanced the 2001-2003 budget through a combination of budgeted expenditure cuts and borrowing. However, the most recent estimates

(December 2002 forecast) project total general fund resources available for allocation of \$9.6 billion, resulting in an additional budget shortfall of \$111.8 million for the 2001-2003 biennium, which the legislature will need to address when it begins to meet in January.

Expenditures and other financing uses were originally budgeted to exceed revenues and other financing sources by \$90.4 million, with the difference budgeted from available fund balance. Although revised revenue projections indicate the \$10.9 billion of budgeted revenues will not be realized, no formal legislative action has been taken to reduce budgeted general fund revenues that were included in the legislatively approved budget. Thus, estimated revenues of \$10.9 billion are presented in the budgetary schedule in the required supplementary information section of this report.

Since Oregon budgets on a biennial rather than an annual basis, budget to actual comparisons are not final until the second year of the biennium. For the first year of the 2001-2003 biennium, actual expenditures and other financing uses exceeded actual revenue and other financing sources by \$1.7 billion. Significant reductions in collections of personal and corporate income taxes during the first year of the biennium prompted the State to issue \$788.4 million of tax anticipation notes for cash flow management needs. This obligation will be repaid with income tax revenue prior to the end of the biennium. Recent economic indicators and estimated collections of income taxes are expected to have a significant effect on future services. Reductions in available resources to fund governmental programs, particularly funding for elementary and secondary education, are also expected in the 2003-2005 biennium.

DEBT ADMINISTRATION

The State Debt Policy Advisory Commission advises the Governor and the legislative assembly regarding policies and actions that enhance and preserve the State's credit rating and maintain the future availability of low-cost capital financing. The State's debt credit ratings, which are an indication of the State's ability to repay its debt and a reflection of the State's sound financial management, have not changed from the previous year.

Debt outstanding for the years ended June 30, 2002 and 2001 is summarized in Table 3 below. The majority of new revenue bonds issued for business-type activities this year were multi-family housing revenue bonds and single-family mortgage revenue bonds. For governmental activities, the majority of new revenue bonds were issued to finance preservation and modernization projects for highways and bridges.

In addition to on-going revenue bond program activity, \$59.7 million of lottery revenue bonds were issued to provide loans and grants for improving and expanding local infrastructure in Oregon communities, to provide loans and grants for revitalization of rural and distressed communities, and to provide partial funding to construct a new Regional Agricultural, Health, and Life Sciences building at Eastern Oregon University. During the year, the State refinanced some of its existing debt to take advantage of favorable interest rates. Additional information on the State's long-term debt can be found in note 9 of this report.

Table 3
State of Oregon's Outstanding Debt
For the Years Ended June 30, 2002 and 2001
(dollars in millions)

	2002	2001	2002 Over (Under) 2001	
			Amount	Percent
General Obligation Bonds.....	\$2,385.9	\$2,282.9	\$ 103.0	4.5%
Revenue Bonds.....	2,236.7	2,181.1	55.6	2.6%
Certificates of Participation	820.1	823.0	(2.9)	(.4)%
Totals.....	\$5,442.7	\$5,287.0	\$ 155.7	2.9%

CAPITAL ASSETS

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2002, is \$11.7 billion (net of accumulated depreciation) as summarized in Table 4. This investment in capital assets includes land, buildings, improvements, equipment, construction in progress, highways, tunnels and bridges, and works of art and historical treasures.

Table 4
State of Oregon's Capital Assets, Net of Depreciation
June 30, 2002
(in millions)

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,515.0	\$ 136.0	\$ 1,651.0
Buildings, property, and equipment	1,154.5	590.6	1,745.1
Construction in progress	404.5	133.8	538.3
Infrastructure	7,685.0	4.6	7,689.6
Works of art and historical treasures	.5	58.0	58.5
Total	\$ 10,759.5	\$ 923.0	\$ 11,682.5

Major capital asset events during the fiscal year included the following:

- The State spent \$252.8 million on 896 highway and bridge construction projects
- \$26.8 million was spent on capital equipment used to maintain highways and bridges, such as road graders, bulldozers, and similar vehicles
- Commitments of \$321.0 million have been made for highway and bridge construction
- Commitments of \$50.2 million have been made for construction and upgrades of prisons

Additional information on the State's capital assets can be found in note 5 of this report.

ECONOMIC FACTORS AND NEXT BIENNIAL'S BUDGET

- The unemployment rate for Oregon is currently 7.0 percent, down from 7.2 percent a year ago. This is higher than the national rate of 5.7 percent.
- Employment growth in the third quarter of 2002 was negative 0.6 percent, an indication that Oregon's economy is still in a recession.
- Reductions in forecasted General Fund revenues over the past year have prompted five legislative special sessions in an effort to balance the 2001-2003 biennial budget. In the fifth special session, authority was granted by the legislature to issue bonds for State school funding in the amount of \$150 million, to be repaid with proceeds from the tobacco Master Settlement Agreement.
- A temporary (three year) income tax increase has been referred to Oregon voters in a January 28, 2003 election. If the tax increase passes, existing budget cuts will be restored in the current biennium.

All of these factors will be considered in preparing the State's budget for the 2003-2005 biennium.



*Basic
Financial
Statements*

State of Oregon

Statement of Net Assets

June 30, 2002

(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 1,279,930	\$ 2,402,767	\$ 3,682,697	\$ 222,632	
Cash and Cash Equivalents - Restricted	175	12,284	12,459	-	
Investments	204,186	346,689	550,875	2,678,186	
Securities Lending Cash Collateral	173,187	107,470	280,657	194,413	
Accounts and Interest Receivable (net)	493,400	193,764	687,164	277,100	
Taxes Receivable	278,849	172,461	451,310	-	
Internal Balances	123,297	(123,297)	-	-	
Due from Other Governments	54	10,208	10,262	-	
Inventories	74,100	29,817	103,917	7,610	
Prepaid Items	22,112	12,436	34,548	3,497	
Foreclosed and Deeded Property	-	2,211	2,211	-	
Total Current Assets	2,649,290	3,166,810	5,816,100	3,383,438	
Noncurrent Assets:					
Cash and Securities Held in Trust	10,500	4	10,504	-	
Cash and Cash Equivalents - Restricted	643,749	528,185	1,171,934	-	
Investments	-	86,702	86,702	255,119	
Investments - Restricted	125,962	767,705	893,667	233,901	
Taxes Receivable	292,302	-	292,302	-	
Deferred Charges	3,620	19,212	22,832	4,986	
Interfund Loans	(8,714)	8,714	-	-	
Net Contracts, Notes and Other Receivables	301,271	147,840	449,111	19,166	
Loans Receivable	345,421	1,996,522	2,341,943	-	
Capital Assets:					
Land	1,515,039	135,987	1,651,026	11,211	
Buildings, Property and Equipment	1,900,785	1,702,428	3,603,213	1,135,710	
Construction in Progress	404,474	133,808	538,282	23,988	
Infrastructure	13,650,900	30,899	13,681,799	-	
Works of Art and Historical Treasures	454	57,989	58,443	-	
Less Accumulated Depreciation and Amortization	(6,712,190)	(1,138,095)	(7,850,285)	(480,351)	
Total Noncurrent Assets	12,473,573	4,477,900	16,951,473	1,203,730	
Total Assets	15,122,863	7,644,710	22,767,573	4,587,168	

(continued on next page)

State of Oregon

Statement of Net Assets

June 30, 2002

(In Thousands)

(continued from previous page)

	Primary Government			Component Units	
	Governmental Activities		Business-type Activities		
	Total				
LIABILITIES					
Current Liabilities:					
Accounts and Interest Payable	\$ 436,163	\$ 205,459	\$ 641,622	\$ 429,721	
Obligations Under Securities Lending	173,187	107,470	280,657	194,413	
Due to Other Governments	102,923	17,856	120,779	5,706	
Matured Bonds/COPS and Coupons Payable	174	12,284	12,458	-	
Obligations Under Capital Lease	1	332	333	487	
Tax Anticipation Notes Payable	788,361	-	788,361	-	
Bonds/COPS Payable	94,965	353,408	448,373	8,125	
Trust Funds Payable	206,510	17,892	224,402	-	
Deferred Revenue	39,400	53,593	92,993	118,992	
Compensated Absences Payable	109,896	39,866	149,762	29,991	
Total Current Liabilities	1,951,580	808,160	2,759,740	787,435	
Noncurrent Liabilities:					
Bonds/COPS Payable	1,507,631	3,433,393	4,941,024	307,382	
Obligations Under Capital Lease	4	1,049	1,053	5,227	
Claims and Judgments Payable	1,170,253	-	1,170,253	2,143,737	
Lottery Prize Awards Payable	-	86,702	86,702	-	
Arbitrage Rebate Payable	5,089	6,378	11,467	-	
Net Contracts, Mortgages and Notes Payable	837	8,577	9,414	74,551	
Trust Funds Payable	-	780	780	-	
Total Noncurrent Liabilities	2,683,814	3,536,879	6,220,693	2,530,897	
Total Liabilities	4,635,394	4,345,039	8,980,433	3,318,332	
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	10,031,651	282,782	10,314,433	335,124	
Expendable Restricted Net Assets:					
Restricted for Unemployment Compensation	-	1,790,756	1,790,756	-	
Restricted for Residential Assistance	95,142	153,296	248,438	-	
Restricted for Higher Education	-	167,554	167,554	-	
Restricted for Debt Service	5,590	57,924	63,514	-	
Restricted for Capital Construction	2,889	274,318	277,207	-	
Restricted for Transportation	149,388	19,166	168,554	-	
Restricted for Workers' Compensation	19	-	19	394,773	
Restricted for Education	4,867	-	4,867	173,770	
Restricted for Natural Resource Programs	23,515	-	23,515	-	
Restricted for Business Development	2,097	-	2,097	-	
Restricted for Health Services	2,294	-	2,294	-	
Nonexpendable Restricted Net Assets:					
Restricted for Donor Purposes	-	14,444	14,444	-	
Restricted for Education	220,358	-	220,358	87,091	
Restricted for Residential Assistance	16,168	-	16,168	-	
Restricted for Natural Resource Programs	3,500	-	3,500	-	
Restricted for Workers' Compensation	250	-	250	-	
Restricted for Business Development	112	-	112	-	
Unrestricted	(70,371)	539,431	469,060	278,078	
Total Net Assets	\$ 10,487,469	\$ 3,299,671	\$ 13,787,140	\$ 1,268,836	

The notes to the financial statements are an integral part of this statement.

State of Oregon

Statement of Activities
For the Year Ended June 30, 2002
(In Thousands)

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
Primary Government:								
Governmental Activities:								
Education	\$ 3,363,716	\$ 17,246	\$ 403,135	\$ -	\$ (2,943,335)			
Human Resources	4,399,183	282,692	2,613,691	-	(1,502,800)			
Public Safety	862,219	46,360	87,315	8,424	(720,120)			
Economic and Community Development	289,051	18,744	265,399	-	(4,908)			
Natural Resources	494,385	233,344	114,975	842	(145,224)			
Transportation	1,239,599	113,083	296,182	691	(829,643)			
Consumer and Business Services	319,913	127,581	19,138	-	(173,194)			
Administration	567,717	25,734	235,705	-	(306,278)			
Legislative	27,914	2,695	14	-	(25,205)			
Judicial	232,185	97,782	710	-	(133,693)			
Total Governmental Activities	11,795,882	965,261	4,036,264	9,957	(6,784,400)			
Business-type Activities:								
Housing and Community Services	94,686	76,802	26,029	-	8,145			
Veterans' Loan	79,922	50,386	35,223	-	5,687			
Lottery Operations	485,299	817,490	12,612	-	344,803			
Unemployment Compensation	1,030,423	649,892	236,450	-	(144,081)			
University System	1,551,981	650,248	526,034	85,982	(289,717)			
Other Business-type Activities	409,472	395,763	12,452	-	(1,257)			
Total Business-type Activities	3,651,783	2,640,581	848,800	85,982	(76,420)			
Total Primary Government	\$ 15,447,665	\$ 3,605,842	\$ 4,885,064	\$ 95,939	\$ (6,860,820)			
Component Units:								
SAIF Corporation	\$ 330,739	\$ 266,104	\$ 19,949	\$ -	\$ (44,686)			
Oregon Health and Science University	1,017,705	626,542	394,298	4,177	7,312			
CTFO	5,147	-	-	-	(5,147)			
Total Component Units	\$ 1,353,591	\$ 892,646	\$ 414,247	\$ 4,177	\$ (42,521)			

(continued on next page)

State of Oregon

Statement of Activities
For the Year Ended June 30, 2002
(In Thousands)
(continued from previous page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in Net Assets:				
Net (Expense) Revenue	\$ (6,784,400)	\$ (76,420)	\$ (6,860,820)	\$ (42,521)
General Revenues:				
Taxes:				
Personal Income Taxes	4,096,359	-	4,096,359	-
Corporate Income Taxes	190,346	-	190,346	-
Tobacco Taxes	175,115	-	175,115	-
Other Taxes	356,319	12,676	368,995	-
Restricted for Transportation Purposes:	.			
Motor Fuels Taxes	397,713	-	397,713	-
Weight Mile Taxes	201,315	-	201,315	-
Vehicle Registration Taxes	113,262	-	113,262	-
Restricted for Workers' Compensation Benefits:				
Employer-employee Taxes	255,279	-	255,279	-
Total Taxes	5,785,708	12,676	5,798,384	-
Unrestricted Investment Earnings	17,146	-	17,146	-
Contributions to Permanent Funds	48,638	-	48,638	-
Capital Contributions	1,475	649	2,124	-
Special Items	-	-	-	43,494
Transfers - Internal Activities	(61,903)	61,903	-	-
Total General Revenues, Contributions, Special Items, Extraordinary Items, and Transfers	5,791,064	75,228	5,866,292	43,494
Change in Net Assets	(993,336)	(1,192)	(994,528)	973
Net Assets - Beginning	2,645,565	4,247,125	6,892,690	1,267,863
Cumulative Effect of Change in Accounting Principles	8,922,959	(987,893)	7,935,066	-
Prior Period Adjustments	(87,719)	41,631	(46,088)	-
Net Assets - Beginning - As Restated	11,480,805	3,300,863	14,781,668	1,267,863
Net Assets - Ending	\$ 10,487,469	\$ 3,299,671	\$ 13,787,140	\$ 1,268,836

The notes to the financial statements are an integral part of this statement.

State of Oregon

Balance Sheet
Governmental Funds
June 30, 2002
(In Thousands)

	<u>General</u>	<u>Health and Social Services</u>	<u>Public Transportation</u>
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 268,380	\$ 476,762
Investments	-	-	-
Cash and Securities Held in Trust	-	-	7,861
Securities Lending Cash Collateral	-	75,554	37,326
Accounts and Interest Receivable (net)	11,520	186,458	53,514
Taxes Receivable	487,280	10,989	64,908
Due from Other Funds	49,396	153,551	62,438
Due from Other Governments	-	-	-
Inventories	24,574	756	18,313
Prepaid Items	20,459	83	-
Advances to Other Funds	60,458	526	-
Net Contracts, Notes and Other Receivables	18,337	94,764	7,062
Loans Receivable	344	-	-
Total Assets	\$ 672,368	\$ 791,061	\$ 728,184
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	\$ 119,147	\$ 116,605	\$ 74,629
Obligations Under Securities Lending	-	75,554	37,326
Due to Other Funds	373,904	28,047	74,243
Due to Other Governments	4,607	5,888	48,646
Matured Bonds/COPS and Coupons Payable	62	-	-
Tax Anticipation Notes Payable	788,361	-	-
Advances from Other Funds	3,450	10,004	3,166
Trust Funds Payable	7,655	16,150	12,184
Deferred Revenue	348,772	105,474	7,774
Net Contracts, Mortgages and Notes Payable	-	-	-
Total Liabilities	1,645,958	357,722	257,968
Fund Balances:			
Reserved for Encumbrances	98,893	3,123	-
Reserved for Inventories	24,574	756	18,313
Reserved for Loans Receivable	344	-	-
Reserved for Other Long-term Receivables	-	4,574	-
Reserved for Advances to Other Funds	60,458	526	-
Reserved for Prepaid Items	20,459	83	-
Reserved for Debt Service	-	-	-
Reserved for Permanent Fund Principal	-	-	-
Reserved for Claims and Judgments Payable	-	-	-
Reserved for Revolving Accounts	2	267	40
Unreserved, Undesignated	(1,178,320)	424,010	451,863
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Permanent Funds	-	-	-
Total Fund Balances	(973,590)	433,339	470,216
Total Liabilities and Fund Balances	\$ 672,368	\$ 791,061	\$ 728,184

The notes to the financial statements are an integral part of this statement.

State of Oregon

<u>Environmental Management</u>	<u>Other</u>	<u>Total</u>
\$ 179,497	\$ 787,878	\$ 1,712,517
2	234,422	234,424
679	1,960	10,500
20,192	35,605	168,677
26,586	140,920	418,998
-	7,974	571,151
72,978	426,439	764,802
-	54	54
17,741	5,840	67,224
181	903	21,626
-	16	61,000
4,041	177,008	301,212
248,361	96,717	345,422
\$ 570,258	\$ 1,915,736	\$ 4,677,607

\$ 18,579	\$ 70,495	\$ 399,455
20,192	35,605	168,677
23,979	141,720	641,893
14,976	28,805	102,922
-	112	174
-	-	788,361
332	52,910	69,862
2,962	4,815	43,766
10,809	186,392	659,221
-	25	25
91,829	520,879	2,874,356

7,619	107,682	217,317
17,741	5,840	67,224
248,361	96,717	345,422
-	1,481	6,055
-	16	61,000
181	903	21,626
-	150,772	150,772
-	240,387	240,387
-	149,373	149,373
335	269	913
204,192	-	(98,255)
-	548,939	548,939
-	63,506	63,506
-	28,972	28,972
478,429	1,394,857	1,803,251
\$ 570,258	\$ 1,915,736	\$ 4,677,607

State of Oregon

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State of Oregon

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2002
(In Thousands)

Total fund balances of governmental funds \$ 1,803,251

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 1,506,168
Buildings, property and equipment	1,581,978
Construction in progress	378,961
Infrastructure	13,650,366
Works of art and historical treasures	427
Accumulated depreciation and amortization	<u>(6,563,984)</u>
Total capital assets	10,553,916

Some of the State's revenues will be collected after year end but are not available soon enough to pay the current year liabilities and are therefore deferred in the funds.

635,064

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.

210,155

Unamortized debt issuance costs are reported as deferred charges for governmental activities in the Statement of Net Assets, but are reported as expenditures in the funds.

3,417

Some liabilities are not due and payable in the current year and therefore are not reported in the funds. Those liabilities consist of:

Bonds and COPS	(1,487,888)
Accrued interest on bonds and COPS	(12,300)
Accrued interest on tax anticipation notes	(4,230)
Claims and judgments	(1,105,633)
Compensated absences	(103,552)
Obligations under capital leases	(5)
Arbitrage rebate	<u>(4,726)</u>
Total long-term liabilities	<u>(2,718,334)</u>

Net assets of governmental activities \$ 10,487,469

State of Oregon

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2002

(In Thousands)

	<u>General</u>	<u>Health and Social Services</u>	<u>Public Transportation</u>
Revenues:			
Personal Income Taxes	\$ 4,034,426	\$ -	\$ -
Corporate Income Taxes	191,372	-	-
Tobacco Taxes	60,917	114,197	-
Motor Fuels Taxes	-	-	397,713
Weight-Mile Taxes	-	-	204,733
Employer-Employee Taxes	-	-	-
Vehicle Registration Taxes	-	-	113,262
Other Taxes	117,003	47,543	952
Licenses and Fees	16,206	32,245	41,213
Federal	-	2,175,485	421,229
Charges for Services	3,124	112,316	39,840
Fines and Forfeitures	2,116	696	3,952
Rents and Royalties	118	16	2,934
Investment Income	17,146	4,496	8,116
Sales	1,555	3,085	13,946
Donations and Grants	1	104,651	204
Tobacco Settlement Proceeds	-	86,524	-
Other	12,728	198,644	12,112
Total Revenues	4,456,712	2,879,898	1,260,206
Expenditures:			
Current:			
Education	2,872,132	-	-
Human Resources	1,360,191	2,686,417	-
Public Safety	606,435	-	-
Economic and Community Development	6,244	-	-
Natural Resources	56,664	-	-
Transportation	10,595	5,077	993,680
Consumer and Business Services	5,717	48,911	-
Administration	70,458	26,361	146,935
Legislative	24,446	-	-
Judicial	200,303	502	-
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	18,992	-	-
Interest	22,939	6	162
Other Debt Service	-	-	-
Total Expenditures	5,255,116	2,767,274	1,140,777
Excess (Deficiency) of Revenues Over (Under) Expenditures	(798,404)	112,624	119,429
Other Financing Sources (Uses):			
Transfers from Other Funds	368,467	715,869	673,008
Transfers to Other Funds	(627,936)	(894,806)	(718,259)
Transfers to Component Units	(1,628)	(51,795)	-
Long-Term Debt Issued	-	-	224,239
Debt Issuance Premium	-	-	5,335
Debt Issuance Discount	-	-	(931)
Refunded Debt Issued	-	-	-
Leases Incurred	7	-	-
Contributions to Permanent Funds	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	(261,090)	(230,732)	183,392
Net Change in Fund Balances	(1,059,494)	(118,108)	302,821
Fund Balances - Beginning	103,740	336,998	179,890
Prior Period Adjustments	(19,910)	43,386	7,873
Cumulative Effect of Change in Accounting Principles	-	170,564	-
Fund Balances - Beginning - As Restated	83,830	550,948	187,763
Change in Reserve for Inventories	2,074	499	(20,368)
Fund Balances - Ending	\$ (973,590)	\$ 433,339	\$ 470,216

The notes to the financial statements are an integral part of this statement.

State of Oregon

<u>Environmental Management</u>	<u>Other</u>	<u>Total</u>
\$ -	\$ -	\$ 4,034,426
-	-	191,372
-	-	175,114
-	-	397,713
-	-	204,733
-	255,320	255,320
-	-	113,262
15,625	175,860	356,983
93,423	92,352	275,439
92,443	1,078,342	3,767,499
16,305	61,126	232,711
340	74,795	81,899
866	2,397	6,331
15,239	45,426	90,423
86,414	7,287	112,287
1,436	9,860	116,152
-	-	86,524
16,380	40,614	280,478
338,471	1,843,379	10,778,666
-	475,283	3,347,415
-	356,073	4,402,681
-	172,562	778,997
-	275,237	281,481
368,061	35,489	460,214
-	7,248	1,016,600
-	269,025	323,653
147	267,514	511,415
-	2,272	26,718
-	30,775	231,580
-	81,681	81,681
-	39,867	58,859
16	36,918	60,041
-	3,637	3,637
368,224	2,053,581	11,584,972
(29,753)	(210,202)	(806,306)
210,057	1,333,133	3,300,534
(154,448)	(989,657)	(3,385,106)
-	(86)	(53,509)
-	59,009	283,248
-	14,994	20,329
-	(8)	(939)
-	260,435	260,435
-	-	7
-	48,638	48,638
-	(270,769)	(270,769)
55,609	455,689	202,868
25,856	245,487	(603,438)
427,758	915,849	1,964,235
7,828	69	39,246
15,480	233,210	419,254
451,066	1,149,128	2,422,735
1,507	242	(16,046)
\$ 478,429	\$ 1,394,857	\$ 1,803,251

State of Oregon

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State of Oregon

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2002
(In Thousands)**

Net change in fund balances of total governmental funds \$ (603,438)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:

Capital outlay	\$ 478,218
Depreciation expense	(559,743)
Excess of depreciation over capital outlays	(81,525)

The net effect of sales, transfers, and donations of capital assets is a decrease to net assets.

(37,256)

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.

(7)

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.

(563,073)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

329,628

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these items are deferred and amortized in the Statement of Activities.

(954)

Accrued interest on long-term debt does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.

(12,300)

Accrued interest on tax anticipation notes does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.

(4,230)

Some expenses reported in the Statement of Activities do not require the use of current financial resources; thus, they are not reported as expenditures in governmental funds.

(36,047)

Some revenues will not be collected for several months after the State's fiscal year ends; thus, they are not considered "available" revenues and are deferred in the governmental funds.

72,460

Change in inventory is reported as a separate line after the change in fund balances in the governmental statements, but is included in expenses in the governmental activities.

(16,046)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported within governmental activities.

(40,548)

Change in net assets of governmental activities

\$ (993,336)

State of Oregon

Balance Sheet
Proprietary Funds
June 30, 2002
(In Thousands)

	<u>Housing and Community Services</u>	<u>Veterans' Loan</u>	<u>Lottery Operations</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,090	\$ 444,789	\$ 152,690
Cash and Cash Equivalents - Restricted	530	9,173	-
Investments	-	146,911	10,538
Securities Lending Cash Collateral	5,381	33,442	19,262
Accounts and Interest Receivable (net)	11,567	8,823	24,094
Taxes Receivable	-	-	-
Due from Other Funds	3,095	27	-
Due from Other Governments	-	-	-
Inventories	-	-	2,330
Prepaid Items	15	45	534
Foreclosed and Deeded Property	1,859	352	-
Total Current Assets	<u>28,537</u>	<u>643,562</u>	<u>209,448</u>
Noncurrent Assets:			
Cash and Securities Held in Trust	-	-	-
Cash and Cash Equivalents - Restricted	72,316	62,679	3,074
Investments	-	-	86,702
Investments - Restricted	557,161	141,733	-
Deferred Charges	14,176	2,414	-
Advances to Other Funds	-	-	-
Net Contracts, Notes and Other Receivables	-	-	-
Loans Receivable	1,077,824	582,528	-
Capital Assets:			
Land	-	-	-
Buildings, Property and Equipment	1,445	9,682	59,893
Construction in Progress	-	-	-
Infrastructure	-	-	-
Works of Art and Historical Treasures	-	85	-
Less Accumulated Depreciation and Amortization	(1,267)	(4,216)	(30,901)
Total Noncurrent Assets	<u>1,721,655</u>	<u>794,905</u>	<u>118,768</u>
Total Assets	\$ 1,750,192	\$ 1,438,467	\$ 328,216

State of Oregon

Business-type Activities
Enterprise Funds

<u>Unemployment Compensation</u>	<u>University System</u>	<u>Other</u>	<u>Total</u>	<u>Governmental Activities -- Internal Service Funds</u>
\$ 1,417,349	\$ 208,516	\$ 173,332	\$ 2,402,766	\$ 210,082
-	2,374	207	12,284	-
179,527	9,250	464	346,690	71,699
653	48,696	34	107,468	4,509
37,473	94,534	17,272	193,763	71,201
172,461	-	-	172,461	-
638	783	6,254	10,797	395
10,208	-	-	10,208	-
-	6,358	21,129	29,817	6,876
-	11,747	94	12,435	487
-	-	-	2,211	-
1,818,309	382,258	218,786	3,300,900	365,249
 4 622	 306,421	 83,072	 528,184	 1,254
-	-	-	86,702	-
-	62,210	6,602	767,706	24,025
-	-	2,620	19,210	205
1,108	-	25,525	26,633	834
12,347	135,492	-	147,839	58
-	-	336,171	1,996,523	-
-	48,562	87,425	135,987	8,871
-	1,521,015	110,394	1,702,429	318,807
-	127,517	6,292	133,809	25,513
-	29,317	1,582	30,899	534
-	57,864	40	57,989	27
-	(1,031,214)	(70,497)	(1,138,095)	(148,206)
14,081	1,257,184	589,226	4,495,819	231,922
\$ 1,832,390	\$ 1,639,442	\$ 808,012	\$ 7,796,719	\$ 597,171

(continued on next page)

State of Oregon

Balance Sheet

Proprietary Funds

June 30, 2002

(In Thousands)

(continued from previous page)

	Housing and Community Services	Veterans' <u>Loan</u>	Lottery Operations
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts and Interest Payable	\$ 39,116	\$ 21,156	\$ 29,629
Obligations Under Securities Lending	5,381	33,442	19,262
Due to Other Funds	6,026	-	115,775
Due to Other Governments	-	-	-
Matured Bonds/COPS and Coupons Payable	530	9,173	-
Obligations Under Capital Lease	-	-	-
Bonds/COPS Payable	166,565	114,326	-
Trust Funds Payable	-	2,154	163
Deferred Revenue	27	-	-
Compensated Absences Payable	306	553	1,801
Total Current Liabilities	<u>217,951</u>	<u>180,804</u>	<u>166,630</u>
Noncurrent Liabilities:			
Bonds/COPS Payable	1,365,198	1,114,050	-
Obligations Under Capital Lease	-	-	313
Claims and Judgments Payable	-	-	-
Lottery Prize Awards Payable	-	-	86,702
Arbitrage Rebate Payable	4,723	506	-
Contracts, Mortgages and Notes Payable	4,000	-	-
Trust Funds Payable	-	-	-
Advances from Other Funds	-	-	-
Total Noncurrent Liabilities	<u>1,373,921</u>	<u>1,114,556</u>	<u>87,015</u>
Total Liabilities	<u>1,591,872</u>	<u>1,295,360</u>	<u>253,645</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	178	5,551	28,679
Expendable Restricted Net Assets:			
Restricted for Residential Assistance	152,154	-	-
Restricted for Higher Education	-	-	-
Restricted for Debt Service	-	-	-
Restricted for Capital Construction	-	-	-
Restricted for Transportation	-	-	-
Nonexpendable Restricted Net Assets:			
Restricted for Donor Purposes	-	-	-
Unrestricted	5,988	137,556	45,892
Total Net Assets	<u>158,320</u>	<u>143,107</u>	<u>74,571</u>
Total Liabilities and Net Assets	\$ 1,750,192	\$ 1,438,467	\$ 328,216

The notes to the financial statements are an integral part of this statement.

State of Oregon

Business-type Activities

Enterprise Funds

Unemployment Compensation				University System	Other	Total	Governmental Activities -- Internal Service Funds
\$ 22,883	\$ 68,467	\$ 24,208	\$ 205,459	\$ 16,471			
653	48,696	34	107,468	4,509			
640	-	10,297	132,738	1,444			
16,541	-	1,315	17,856	2			
-	2,374	207	12,284	-			
-	294	38	332	-			
-	28,855	43,662	353,408	6,729			
917	8,572	6,086	17,892	162,743			
-	52,810	757	53,594	15,244			
-	29,781	7,426	39,867	6,344			
41,634	239,849	94,030	940,898	213,486			
-	622,453	331,693	3,433,394	107,979			
-	574	162	1,049	-			
-	-	-	-	64,620			
-	-	-	86,702	-			
-	847	301	6,377	363			
-	4,577	-	8,577	812			
-	-	780	780	-			
-	14,533	3,386	17,919	1,110			
-	642,984	336,322	3,554,798	174,884			
41,634	882,833	430,352	4,495,696	388,370			
-	134,637	113,737	282,782	112,609			
-	-	-	152,154	-			
-	167,553	-	167,553	-			
-	42,244	-	42,244	-			
-	274,318	-	274,318	-			
-	-	19,166	19,166	-			
-	14,444	-	14,444	-			
1,790,756	123,413	244,757	2,348,362	96,192			
1,790,756	756,609	377,660	3,301,023	208,801			
\$ 1,832,390	\$ 1,639,442	\$ 808,012	\$ 7,796,719	\$ 597,171			

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with the business-type activities.

(1,352)

Net assets of business-type activities

\$ 3,299,671

State of Oregon

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2002
(In Thousands)

	Business-type Activities -- Enterprise Funds		
	Housing and Community <u>Services</u>	Veterans' <u>Loan</u>	Lottery <u>Operations</u>
Operating Revenues:			
Assessments	\$ -	\$ -	\$ -
Other Taxes	- -	- -	- -
Licenses and Fees	167	438	-
Federal	- -	- -	- -
Charges for Services	3,517	731	-
Fines and Forfeitures	24	- -	- -
Rents and Royalties	- -	494	- -
Sales	1	- -	816,941
Loan Interest Income	72,928	48,006	-
Investment Income	26,000	35,223	12,612
Gifts, Grants and Contracts	29	- -	- -
Other	120	545	548
Gain (Loss) on Foreclosed Property	45	172	-
Total Operating Revenues	<u>102,831</u>	<u>85,609</u>	<u>830,101</u>
Operating Expenses:			
Salaries and Wages	5,489	6,974	25,383
Services and Supplies	6,019	4,089	236,022
Cost of Goods Sold	- -	- -	- -
Distributions to Other Governments	447	- -	- -
Special Payments	636	- -	218,455
Bond and COP Interest	79,688	68,561	-
Other Debt Service	2,159	35	-
Depreciation and Amortization	148	539	4,566
Bad Debt Expense	7	(907)	-
Total Operating Expenses	<u>94,593</u>	<u>79,291</u>	<u>484,426</u>
Operating Income (Loss)	<u>8,238</u>	<u>6,318</u>	<u>345,675</u>
Nonoperating Revenues (Expenses):			
Investment Income	- -	- -	- -
Other Non Operating Items	- -	- -	- -
Gain (Loss) on Disposition of Assets	- -	3	- -
Loan Interest Expense	(65)	(581)	- -
Total Nonoperating Revenues (Expenses)	<u>(65)</u>	<u>(578)</u>	<u>- -</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	8,173	5,740	345,675
Capital Contributions	- -	- -	- -
Transfers from Other Funds	19,215	- -	- -
Transfers to Other Funds	(22,758)	- -	(366,034)
Change in Net Assets	4,630	5,740	(20,359)
Net Assets - Beginning	153,690	94,931	95,000
Prior Period Adjustments	- -	42,361	(70)
Cumulative Effect of Change in Accounting Principles	- -	75	- -
Net Assets - Beginning - As Restated	<u>153,690</u>	<u>137,367</u>	<u>94,930</u>
Net Assets - Ending	\$ 158,320	\$ 143,107	\$ 74,571

The notes to the financial statements are an integral part of this statement.

State of Oregon

<u>Unemployment Compensation</u>	<u>University System</u>	<u>Other</u>	<u>Total</u>	Governmental Activities -- Internal Service Funds
\$ 530,719	\$ -	\$ 12,677	\$ 530,719	\$ -
-	-	3,682	12,677	-
-	-	9,234	4,287	5
135,414	445,668	89,874	590,316	-
-	374,767	-	468,889	220,149
1,366	-	586	1,976	-
-	-	2,115	2,609	24,755
-	191,614	272,996	1,281,552	13,608
-	-	22,996	143,930	-
101,036	8,601	3,218	186,690	-
-	157,747	1	157,777	-
117,807	13,715	3,511	136,246	2,232
-	-	-	217	-
886,342	1,192,112	420,890	3,517,885	260,749
-	816,839	143,179	997,864	107,701
500	625,008	66,128	937,766	134,715
-	29,096	138,308	167,404	15,938
64,083	63	37,040	101,633	-
965,140	-	155	1,184,386	-
-	25,351	19,243	192,843	6,307
-	-	186	2,380	75
-	55,472	3,312	64,037	15,917
-	743	678	521	-
1,029,723	1,552,572	408,229	3,648,834	280,653
(143,381)	(360,460)	12,661	(130,949)	(19,904)
-	-	-	-	8,787
-	70,152	-	70,152	-
-	300	(29)	274	607
-	-	(254)	(900)	(130)
-	70,452	(283)	69,526	9,264
(143,381)	(290,008)	12,378	(61,423)	(10,640)
-	649	-	649	250
3,446,704	403,674	164,822	4,034,415	303,474
(3,449,976)	-	(134,713)	(3,973,481)	(334,986)
(146,653)	114,315	42,487	160	(41,902)
-	-	335,793	679,414	250,457
-	-	(660)	41,631	249
1,937,409	642,294	40	2,579,818	(3)
1,937,409	642,294	335,173	3,300,863	250,703
\$ 1,790,756	\$ 756,609	\$ 377,660	\$ 3,301,023	\$ 208,801

Some amounts reported for business-type activities
in the statement of activities are different because
the net revenue (expense) of certain internal service
funds is reported with the business-type activities.

(1,352)

Change in net assets of business-type activities

\$ (1,192)

State of Oregon

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2002
(In Thousands)

	Business-type Activities		
	Enterprise Funds		
	<u>Housing and Community Services</u>	<u>Veterans' Loan</u>	<u>Lottery Operations</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 4,087	\$ 1,730	\$ 816,345
Receipts from Other Funds for Services	-	622	-
Loan Principal Repayments	106,440	165,593	-
Loan Interest Received	73,848	48,006	-
Taxes and Assessments Received	-	69	-
Payments to Employees for Services	(5,483)	(6,980)	(25,210)
Payments to Suppliers	(4,456)	(1,776)	(226,366)
Payments to Other Funds for Services	(989)	(1,319)	-
Payments to Prize Winners	-	-	(219,114)
Claims Paid	-	-	-
Loans Made	(164,604)	(76,206)	-
Distributions to Other Governments	(447)	-	-
Other Receipts (Payments)	(532)	369	925
Net Cash Provided (Used) in Operating Activities	7,864	130,108	346,580
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	356,885	120,163	-
Loan Proceeds	3,635	-	-
Proceeds from Line of Credit	-	60,000	-
Principal Payments on Bonds/COPS	(257,775)	(169,974)	-
Principal Payments on Loans	(384)	-	-
Principal Payments on Line of Credit	-	(80,000)	-
Interest Payments on Bonds/COPS	(77,456)	(71,733)	-
Interest Payments on Loans	(80)	-	-
Interest Payments on Line of Credit	-	(581)	-
Bond/COP Issuance Costs	(3,476)	(1,784)	-
Principal Payments on Advances	-	-	-
Interest Payments on Advances	-	-	-
Other Nonoperating Receipts	-	-	-
Transfers from Other Funds	16,215	-	-
Transfers to Other Funds	(16,758)	-	(355,986)
Net Cash Provided (Used) in Noncapital Financing Activities	20,806	(143,909)	(355,986)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond/COP Sales	-	-	-
Principal Payments on Bonds/COPS	-	-	-
Interest Payments on Bonds/COPS	-	-	-
Bond/COP Issuance Costs	-	-	-
Advances Received	-	-	-
Principal Payments on Advances	-	-	-
Interest Payments on Advances	-	-	-
Acquisition of Capital Assets	(118)	(296)	(17,677)
Payments on Capital Leases	-	-	(1,441)
Proceeds from Disposition of Capital Assets	-	3	64
Capital Contributions	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	(118)	(293)	(19,054)
Cash Flows from Investing Activities:			
Purchases of Investments	(1,059,670)	(66,725)	(10,505)
Proceeds from Sales and Maturities of Investments	1,012,090	83,535	9,913
Interest on Investments and Cash Balances	21,660	29,053	12,088
Interest Income from Securities Lending	129	604	480
Interest Expense from Securities Lending	(112)	(523)	(404)
Net Cash Provided (Used) in Investing Activities	(25,903)	45,944	11,572
Net Increase (Decrease) in Cash and Cash Equivalents	2,649	31,850	(16,888)
Cash and Cash Equivalents - Beginning	76,287	442,430	172,652
Accounting Change Restating Beginning Cash Balance	-	-	-
Prior Period Adjustments Restating Beginning Cash	-	42,361	-
Cash and Cash Equivalents - Ending	\$ 78,936	\$ 516,641	\$ 155,764

State of Oregon

Business-type Activities					Governmental Activities -- Internal Service Funds	
Enterprise Funds						
Unemployment Compensation	University System	Other	Total			
\$	\$	\$	\$			
2,640	1,055,967	380,589	2,261,358		5,140	
-	-	3,266	3,888		310,619	
-	12,029	44,541	328,603		-	
-	-	18,121	139,975		-	
482,184	-	12,677	494,930		-	
-	(816,308)	(151,910)	(1,005,891)		(106,111)	
-	(643,123)	(197,573)	(1,073,294)		(61,628)	
-	-	(8,698)	(11,006)		(18,467)	
-	-	(110)	(219,224)		-	
(946,574)	-	-	(946,574)		(7,124)	
-	(12,199)	(65,648)	(318,657)		-	
(61,379)	-	(38,986)	(100,812)		-	
259,346	136,910	7,403	404,421		7,818	
(263,783)	(266,724)	3,672	(42,283)		130,247	
-	-	39,491	516,539		-	
-	-	-	3,635		-	
-	-	-	60,000		-	
-	-	(25,466)	(453,215)		-	
-	-	-	(384)		-	
-	-	-	(80,000)		-	
-	-	(18,975)	(168,164)		-	
-	-	-	(80)		-	
-	-	-	(581)		-	
-	-	(357)	(5,617)		-	
-	-	(193)	(193)		-	
-	-	(106)	(106)		-	
-	69,201	-	69,201		-	
3,446,589	403,674	161,258	4,027,736		304,331	
(3,450,478)	-	(139,425)	(3,962,647)		(334,319)	
(3,889)	472,875	16,227	6,124		(29,988)	
-	212,605	-	212,605		44,884	
-	(51,209)	-	(51,209)		(9,118)	
-	(25,351)	-	(25,351)		(6,524)	
-	-	-	-		(433)	
-	-	-	-		480	
-	-	-	-		(586)	
-	-	-	-		(126)	
-	(159,668)	(6,347)	(184,106)		-	
-	-	(17)	(1,458)		-	
-	5,518	28	5,613		1,217	
-	649	-	649		-	
-	(17,456)	(6,336)	(43,257)		29,794	
(55,787)	-	(6,314)	(1,199,001)		(33,117)	
79,942	10,789	7,846	1,204,115		37,619	
100,055	8,507	8,413	179,776		8,479	
578	633	1	2,425		114	
(499)	(539)	(1)	(2,078)		(100)	
124,289	19,390	9,945	185,237		12,995	
(143,383)	208,085	23,508	105,821		143,048	
-	-	233,103	924,472		68,288	
1,561,354	309,226	-	1,870,580		-	
-	-	-	42,361		-	
\$	1,417,971	\$	517,311	\$	256,611	\$
					2,943,234	
						\$ 211,336

(continued on next page)

State of Oregon

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2002
(In Thousands)
(continued from previous page)

	Business-type Activities		
	<u>Housing and Community Services</u>	<u>Veterans' Loan</u>	<u>Lottery Operations</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating Income (Loss)	\$ 8,238	\$ 6,318	\$ 345,675
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	148	539	4,566
Amortization of Bond/COP Premium and Discount	-	(52)	-
Amortization of Deferred Charges	1,524	110	-
Bad Debt Expense	7	(907)	-
Interest Income Reported as Operating Revenue	(26,000)	(35,223)	(12,612)
Investment Expense	112	522	404
Interest Payments Reported as Operating Expense	79,688	68,613	-
Bond/COP Issuance Costs Reported as Operating Expense	636	787	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	1,369	71	(324)
Notes Receivable	-	-	-
Due from Other Funds	87	(1)	-
Due from Other Governments	-	-	-
Inventories	-	-	(633)
Prepaid Items	73	(34)	(203)
Foreclosed and Deeded Property	(962)	-	-
Deferred Charges	-	-	-
Advances to Other Funds	-	-	4
Loans Receivable	(57,035)	89,509	-
Accounts and Interest Payable	129	(348)	9,736
Notes Payable	-	-	-
Due to Other Funds	(146)	-	-
Due to Other Governments	-	-	-
Trust Funds Payable	-	196	(207)
Deferred Revenue	(24)	-	-
Compensated Absences Payable	20	8	174
Total Adjustments	(374)	123,790	905
Net Cash Provided (Used) by Operating Activities	<hr/> \$ 7,864	<hr/> \$ 130,108	<hr/> \$ 346,580
Noncash Investing and Capital and Related Financing Activities:			
Net Change in Fair Value of Investments	\$ 3,583	\$ 6,783	\$ 8,000
Current Assets Transferred from Governmental Funds	-	-	-
Current Assets Transferred from Colleges and Universities	-	-	-
Noncurrent Assets Transferred from Governmental Funds	-	-	-
Noncurrent Assets Transferred from Colleges and Universities	-	-	-
Current Assets Transferred to Governmental Funds	-	-	-
Current Liabilities Transferred to Governmental Funds	-	-	-
Capital Leases Entered into During the Year	-	-	-
Current Liabilities Transferred from Governmental Funds	-	-	-
Current Liabilities Transferred from Colleges and Universities	-	-	-
Noncurrent Liabilities Transferred from Colleges and Universities	-	-	-
Foreclosed Property	4,331	433	-
Sale of Capital Assets on Contract	-	-	-
Total Noncash Investing and Capital and Related Financing Activities	<hr/> \$ 7,914	<hr/> \$ 7,216	<hr/> \$ 8,000

The notes to the financial statements are an integral part of this statement.

State of Oregon

Business-type Activities Enterprise Funds				Governmental Activities -- Internal Service Funds		
Unemployment Compensation	University System	Other	Total			
\$	\$	\$	\$	\$	\$	\$
(143,381)	(360,460)	12,661	(130,949)	(19,904)		
-	55,472	3,312	64,037	15,917		
-	-	519	467	40		
-	-	211	1,845	31		
-	-	677	(223)	-		
(101,036)	(8,601)	(3,218)	(186,690)	-		
499	-	1	1,538	-		
-	25,351	18,724	192,376	6,307		
-	-	43	1,466	75		
(26,978)	1,224	4,349	(20,289)	51,403		
-	(7,345)	-	(7,345)	-		
-	-	575	661	814		
(2,837)	-	-	(2,837)	-		
-	(569)	542	(660)	(3,670)		
-	(477)	(73)	(714)	(23)		
-	-	-	(962)	-		
-	-	-	-	562		
-	-	-	4	-		
-	-	(21,911)	10,563	-		
-	14,467	(11,848)	12,136	(96,909)		
-	27	-	27	-		
-	-	1,175	1,029	(1,781)		
9,950	-	328	10,278	-		
-	5,872	(1,838)	4,023	162,156		
-	8,074	(473)	7,577	15,103		
-	241	(84)	359	126		
(120,402)	93,736	(8,989)	88,666	150,151		
\$	\$	\$	\$	\$	\$	\$
(263,783)	(266,724)	3,672	(42,283)	130,247		
\$	\$	\$	\$	\$	\$	\$
-	6,121	(136)	24,351	390		
388,787	-	-	388,787	-		
-	246,421	-	246,421	-		
38,009	-	-	38,009	-		
-	1,765,459	-	1,765,459	-		
-	-	(64)	(64)	-		
-	-	15	15	-		
-	185	217	402	-		
(50,740)	-	-	(50,740)	-		
-	(210,244)	-	(210,244)	-		
-	(480,559)	-	(480,559)	-		
-	-	-	4,764	-		
-	-	-	-	(10)		
\$	\$	\$	\$	\$	\$	\$
376,056	1,327,383	32	1,726,601	380		

State of Oregon

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002
(In Thousands)

	Pension Trust	Private Purpose Trust	Investment Trust	Agency
ASSETS				
Cash and Cash Equivalents	\$ 2,288,234	\$ 49,212	\$ 3,474,535	\$ 55,077
Receivables:				
Employer Contributions	36,467	-	-	-
Employee Contributions	23,444	-	-	-
Interest and Dividends	113,641	901	7,017	-
Investment Sales	898,544	8,793	-	-
Accounts	-	670	80	3,769
From Other Funds	2,471	811	-	-
From Other Governments	39	-	-	-
Total Receivables	1,074,606	11,175	7,097	3,769
Investments:				
Fixed Income	10,430,374	110,315	-	-
Equity	18,463,084	-	-	-
Real Estate	1,728,688	5,399	-	-
Alternative Equity	3,517,298	-	-	-
Postemployment Health Commingled Investments	76,037	-	-	-
Mutual Funds	545,090	588,994	-	-
Total Investments	34,760,571	704,708	-	-
Cash and Securities Held in Trust	-	3,312	-	1,415,368
Securities Lending Cash Collateral	2,091,465	10,555	241,461	-
Inventories	5	26	-	-
Prepaid Items	156	17	-	-
Advance to Other Funds	-	424	-	-
Net Contracts, Notes and Other Receivables	-	412	-	105,891
Conservatorship and Custodial Assets	-	4,558	-	60
Receivership Assets	-	-	-	68,534
Loans Receivable	-	2,561	-	-
Capital Assets (net of accumulated depreciation):				
Land	836	789	-	-
Buildings, Property and Equipment	6,543	448	-	-
Infrastructure	-	3,254	-	-
Works of Art and Historical Treasures	-	25	-	-
Total Assets	40,222,416	791,476	3,723,093	1,648,699
LIABILITIES				
Accounts and Interest Payable	2,671,837	39,356	12,078	-
Obligations Under Securities Lending	2,091,465	10,555	241,461	-
Due to Other Funds	2,471	730	-	-
Due to Other Governments	-	-	-	3,345
Trust Funds Payable	107,811	134,509	-	1,645,354
Bonds/COPS Payable	53,337	-	-	-
Compensated Absences Payable	-	234	-	-
Contracts, Mortgages and Notes Payable	-	1,159	-	-
Total Liabilities	4,926,921	186,543	253,539	1,648,699
NET ASSETS				
Held in Trust for:				
Employees' Pension Benefits	34,633,586	-	-	-
Employees' Postemployment Healthcare Benefits	115,864	-	-	-
External Investment Pool Participants	-	-	3,469,554	-
Individuals, Organizations and Other Governments	546,045	604,933	-	-
Total Net Assets	\$ 35,295,495	\$ 604,933	\$ 3,469,554	\$ -

The notes to the financial statements are an integral part of this statement.

State of Oregon

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2002
(In Thousands)

	Pension Trust	Private Purpose Trust	Investment Trust
ADDITIONS			
Contributions:			
Employer	\$ 1,030,658	\$ -	\$ -
Employee	491,289	-	-
Other Sources	20,939	-	-
Total Contributions	<u>1,542,886</u>	-	-
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	(3,237,859)	(81,694)	-
Interest, Dividends and Other Investment Income	983,557	18,726	108,185
Total Investment Income (Loss)	<u>(2,254,302)</u>	<u>(62,968)</u>	<u>108,185</u>
Less Investment Expense	214,866	365	5,705
Net Investment Income (Loss)	<u>(2,469,168)</u>	<u>(63,333)</u>	<u>102,480</u>
Licenses and Fees	-	1,161	-
Charges for Services	-	31	-
Fines and Forfeitures	-	29	-
Rents and Royalties	-	3,053	-
Sales	-	12	-
Other Income	1,703	12,793	-
Share Transactions:			
Participant Contributions	-	-	11,639,098
Participant Withdrawals	-	-	11,893,602
Net Share Transactions	<u>-</u>	<u>-</u>	<u>(254,504)</u>
Transfers from Other Funds	-	15,272	-
Total Additions	(924,579)	(30,982)	(152,024)
 DEDUCTIONS			
Pension Benefits	1,719,101	-	-
Death Benefits	10,121	-	-
Contributions Refunded	46,087	-	-
Healthcare Premium Subsidies	91,616	-	-
Distributions to Participants	-	-	101,869
Administrative Expenses	2,910	17,037	-
Payments in Accordance with Trust Agreements	-	8,783	-
Transfers to Other Funds	-	8,293	-
Total Deductions	1,869,835	34,113	101,869
Change in Net Assets Held in Trust For:			
Employees' Pension Benefits	(2,772,111)	-	-
Employees' Postemployment Healthcare Benefits	13,925	-	-
External Investment Pool Participants	-	-	(253,893)
Individuals, Organizations and Other Governments	(36,228)	(65,095)	-
Net Assets - Beginning	37,507,636	-	3,723,447
Cumulative Effect of Change in Accounting Principles	582,273	666,280	-
Prior Period Adjustments	-	3,748	-
Net Assets - Beginning - As Restated	<u>38,089,909</u>	<u>670,028</u>	<u>3,723,447</u>
Net Assets - Ending	\$ 35,295,495	\$ 604,933	\$ 3,469,554

The notes to the financial statements are an integral part of this statement.

State of Oregon

Combining Balance Sheet
Discretely Presented Component Units
June 30, 2002
(In Thousands)

	<u>SAIF</u>	<u>Oregon Health and Science University</u>	<u>CTFO</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 182,730	\$ 39,902	\$ -	\$ 222,632
Investments	2,610,579	67,607	-	2,678,186
Securities Lending Cash Collateral	194,413	-	-	194,413
Accounts and Interest Receivable (net)	130,082	147,018	-	277,100
Inventories	170	7,440	-	7,610
Prepaid Items	-	3,497	-	3,497
Total Current Assets	3,117,974	265,464	-	3,383,438
Noncurrent Assets:				
Investments	-	255,119	-	255,119
Investments - Restricted	-	233,901	-	233,901
Deferred Charges	-	4,986	-	4,986
Net Contracts, Notes and Other Receivables	-	19,166	-	19,166
Capital Assets:				
Land	2,922	8,289	-	11,211
Buildings, Property and Equipment	50,805	1,084,905	-	1,135,710
Construction in Progress	-	23,988	-	23,988
Less Accumulated Depreciation and Amortization	(26,521)	(453,830)	-	(480,351)
Total Noncurrent Assets	27,206	1,176,524	-	1,203,730
Total Assets	\$ 3,145,180	\$ 1,441,988	\$ -	\$ 4,587,168
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts and Interest Payable	\$ 333,039	\$ 96,682	\$ -	\$ 429,721
Obligations Under Securities Lending	194,413	-	-	194,413
Obligations Under Capital Lease	-	487	-	487
Bonds/COPS Payable	-	8,125	-	8,125
Due to Other Governments	5,706	-	-	5,706
Deferred Revenue	66,992	52,000	-	118,992
Compensated Absences Payable	3,250	26,741	-	29,991
Total Current Liabilities	603,400	184,035	-	787,435
Noncurrent Liabilities:				
Bonds/COPS Payable	-	307,382	-	307,382
Obligations Under Capital Lease	-	5,227	-	5,227
Claims and Judgments Payable	2,119,801	23,936	-	2,143,737
Net Contracts, Mortgages and Notes Payable	-	74,551	-	74,551
Total Noncurrent Liabilities	2,119,801	411,096	-	2,530,897
Total Liabilities	2,723,201	595,131	-	3,318,332
Net Assets:				
Invested in Capital Assets, Net of Related Debt	27,206	307,918	-	335,124
Expendable Restricted Net Assets:				
Restricted for Workers' Compensation	394,773	-	-	394,773
Restricted for Education Purposes	-	173,770	-	173,770
Nonexpendable Restricted Net Assets:				
Restricted for Education Purposes	-	87,091	-	87,091
Unrestricted	-	278,078	-	278,078
Total Net Assets	421,979	846,857	-	1,268,836
Total Liabilities and Net Assets	\$ 3,145,180	\$ 1,441,988	\$ -	\$ 4,587,168

The notes to the financial statements are an integral part of this statement.

State of Oregon

**Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Discretely Presented Component Units
For the Year Ended June 30, 2002
(In Thousands)**

	SAIF Corporation	Oregon Health and Science University	CTFO	Total
Operating Revenues:				
Charges for Services	\$ 246,384	\$ 556,149	\$ -	\$ 802,533
Sales	-	18,531	-	18,531
Investment Income	19,949	-	-	19,949
Gifts, Grants and Contracts	-	331,024	-	331,024
Auxiliary Enterprises (net)	-	10,092	-	10,092
Other	19,720	41,770	-	61,490
Total Operating Revenues	<u>286,053</u>	<u>957,566</u>	-	<u>1,243,619</u>
Operating Expenses:				
Salaries and Wages	52,575	565,871	-	618,446
Services and Supplies	52,308	357,772	-	410,080
Special Payments	219,365	-	5,147	224,512
Bond and COP Interest	-	17,053	-	17,053
Depreciation and Amortization	3,704	60,027	-	63,731
Bad Debt	2,787	15,966	-	18,753
Total Operating Expenses	<u>330,739</u>	<u>1,016,689</u>	<u>5,147</u>	<u>1,352,575</u>
Operating Income (Loss)	<u>(44,686)</u>	<u>(59,123)</u>	<u>(5,147)</u>	<u>(108,956)</u>
Nonoperating Revenues (Expenses):				
Investment Income	-	9,765	-	9,765
Gain (Loss) on Disposition of Assets	-	(1,016)	-	(1,016)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>8,749</u>	<u>-</u>	<u>8,749</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(44,686)</u>	<u>(50,374)</u>	<u>(5,147)</u>	<u>(100,207)</u>
Transfers from Primary Government	-	53,509	-	53,509
Capital Contributions	-	4,177	-	4,177
Total Transfers and Capital Contributions	<u>-</u>	<u>57,686</u>	<u>-</u>	<u>57,686</u>
Special and Extraordinary Items:				
Special Item-School of Science and Engineering Merger	-	43,494	-	43,494
Total Special and Extraordinary Items	<u>-</u>	<u>43,494</u>	<u>-</u>	<u>43,494</u>
Change in Net Assets	<u>(44,686)</u>	<u>50,806</u>	<u>(5,147)</u>	<u>973</u>
Net Assets - Beginning	<u>466,665</u>	<u>796,051</u>	<u>5,147</u>	<u>1,267,863</u>
Net Assets - Ending	<u>\$ 421,979</u>	<u>\$ 846,857</u>	<u>\$ -</u>	<u>\$ 1,268,836</u>

The notes to the financial statements are an integral part of this statement.

State of Oregon

Combining Statement of Cash Flows
Discretely Presented Component Units
For the Year Ended June 30, 2002
(In Thousands)

	SAIF Corporation	Oregon Health and Science University	CTFO	Total
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 234,494	\$ 562,084	\$ -	\$ 796,578
Payments to Employees for Services	(55,488)	(561,588)	- -	(617,076)
Payments to Suppliers	-	(348,816)	- -	(348,816)
Claims Paid	(187,244)	- -	- -	(187,244)
Other Receipts (Payments)	(23,002)	380,284	(371)	356,911
Net Cash Provided (Used) in Operating Activities	<u>(31,240)</u>	<u>31,964</u>	<u>(371)</u>	<u>353</u>
Cash Flows from Noncapital Financing Activities:				
Proceeds from Line of Credit	- -	10,800	- -	10,800
Principal Payments on Bonds/COPS	- -	(11,212)	- -	(11,212)
Principal Payments on Line of Credit	- -	(10,500)	- -	(10,500)
Interest Payments on Bonds/COPS	- -	(12,526)	- -	(12,526)
Transfers from Other Funds	- -	53,509	- -	53,509
Net Cash Provided (Used) in Noncapital Financing Activities	<u>- -</u>	<u>30,071</u>	<u>- -</u>	<u>30,071</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Line of Credit	- -	9,500	- -	9,500
Acquisition of Capital Assets	(4,879)	(96,285)	- -	(101,164)
Payments on Capital Leases	- -	(519)	- -	(519)
Proceeds from Disposition of Capital Assets	6,912	- -	- -	6,912
Capital Contributions	- -	7,036	- -	7,036
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>2,033</u>	<u>(80,268)</u>	<u>- -</u>	<u>(78,235)</u>
Cash Flows from Investing Activities:				
Purchases of Investments	(5,567,325)	(238,567)	- -	(5,805,892)
Proceeds from Sales and Maturities of Investments	5,609,690	221,111	- -	5,830,801
Interest on Investments and Cash Balances	109,166	7,871	- -	117,037
Interest Income from Securities Lending	10,471	- -	- -	10,471
Interest Expense from Securities Lending	(9,463)	- -	- -	(9,463)
Net Cash Provided (Used) in Investing Activities	<u>152,539</u>	<u>(9,585)</u>	<u>- -</u>	<u>142,954</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>123,332</u>	<u>(27,818)</u>	<u>(371)</u>	<u>95,143</u>
Cash and Cash Equivalents - Beginning	<u>59,398</u>	<u>67,720</u>	<u>371</u>	<u>127,489</u>
Cash and Cash Equivalents - Ending	\$ 182,730	\$ 39,902	\$ -	\$ 222,632

State of Oregon

Combining Statement of Cash Flows
Discretely Presented Component Units
For the Year Ended June 30, 2002
(In Thousands)

	<u>SAIF Corporation</u>	<u>Oregon Health and Science University</u>	<u>CTFO</u>	<u>Total</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income (Loss)	\$ (44,686)	\$ (59,123)	\$ (5,147)	\$ (108,956)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	3,704	60,027	-	63,731
Bad Debt Expense	2,787	15,966	-	18,753
Interest Income Reported as Operating Revenue	(23,596)	-	-	(23,596)
Interest Payments Reported as Operating Expense	-	17,053	-	17,053
Net Assets Transferred out of Reporting Entity	-	-	4,776	4,776
Net Changes in Assets and Liabilities:				
Accounts and Interest Receivable	(4,103)	(16,156)	-	(20,259)
Inventories	86	(441)	-	(355)
Prepaid Items	57	(282)	-	(225)
Deferred Charges	-	(159)	-	(159)
Accounts and Interest Payable	4,362	14,213	-	18,575
Due to Other Governments	181	-	-	181
Deferred Revenue	2,737	(1,407)	-	1,330
Compensated Absences Payable	129	2,273	-	2,402
Claims and Judgments Payable	27,102	-	-	27,102
Total Adjustments	<hr/> 13,446	<hr/> 91,087	<hr/> 4,776	<hr/> 109,309
Net Cash Provided (Used) by Operating Activities	<hr/> \$ (31,240)	<hr/> \$ 31,964	<hr/> \$ (371)	<hr/> \$ 353
Noncash Investing and Capital and Related Financing Activities:				
Net Change in Fair Value of Investments	\$ 86,578	\$ (134)	\$ -	\$ 86,444
Total Noncash Investing and Capital and Related Financing Activities	<hr/> \$ 86,578	<hr/> \$ (134)	<hr/> \$ -	<hr/> \$ 86,444

The notes to the financial statements are an integral part of this statement.

State of Oregon
Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity. The State of Oregon (State) was admitted to the Union in 1859 and is governed by an elected governor and a ninety-member elected legislative body. The accompanying financial statements present the State, which includes all agencies, boards, commissions, courts, and colleges and universities that are legally part of the State (primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable. The State's discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the State.

Discretely Presented Component Units. The component unit column in the government-wide financial statements includes the data of the State's two discretely presented component units.

- SAIF Corporation (SAIF) is a public corporation, created by an act of the Legislature, which is authorized to write workers' compensation insurance coverage in Oregon and certain other jurisdictions as required by the Department of Consumer and Business Services and to service accounts in the assigned risk pool. SAIF is governed by a board of directors appointed by the Governor, and is financed solely through policyholder premiums and investment income. SAIF reports on a fiscal year ended December 31, and uses proprietary accounting principles. The December 31, 2001, financial information of SAIF is included in this report.
- The Oregon Health and Science University (OHSU) is a governmental entity performing governmental functions and exercising governmental powers. OHSU is an independent public corporation governed by a board of directors appointed by the Governor and confirmed by the Senate. It is an academic health center that provides education and training to health care professionals, conducts biomedical research, and provides patient care and public service. It is financed primarily through patient service fees, government grants and contracts, tuition charges, and other incidental fees. OHSU also receives general fund monies from the State. The State legislature has acknowledged its intent to make funds available to pay any shortfall in general obligation bonds issued for OHSU purposes prior to the time that OHSU became an independent public corporation. OHSU uses proprietary accounting principles.

Complete financial statements for each of the individual component units may be obtained from their respective administrative offices or from the State Controller's Division, 155 Cottage Street NE U50, Salem, Oregon 97301-3969.

The Board of Trustees of the Children's Trust Fund of Oregon (CTFO), originally established in 1985 to reduce child abuse and neglect in Oregon, was given semi-independent status by the 1999 Legislature. On July 1, 2001 the CTFO was abolished and replaced with the Children's Trust Fund of Oregon, Incorporated, a private, nonprofit corporation. The corporation is no longer a component unit of the State.

Related Organizations. The following professional and occupational licensing boards are semi-independent: the Board of Architect Examiners, the Board of Examiners for Engineering and Land Surveying, the Landscape Architect Board, the Board of Geologist Examiners, the Board of Optometry, the Board of Massage Therapists, the Physical Therapists Licensing Board and the Appraiser Certification and Licensure Board. Although the Governor appoints the administrators of these boards, the boards are all self-supporting. The State has no financial accountability for these related organizations.

The Oregon Utility Notification Center (OUNC) is an independent nonprofit public corporation. Although the Governor appoints members to OUNC's board of directors, OUNC is funded through fees paid by operators of underground facilities who subscribe to OUNC. The OUNC receives no general fund monies, and the State has no financial accountability for OUNC.

B. Government-wide and Fund Financial Statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been

State of Oregon
Notes to the Financial Statements

eliminated from these statements through consolidation, except for interfund activity that represents a true exchange of goods and services between funds. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Interfund activity within governmental and within business-type activities has been eliminated through consolidation; however, balances due and resource flows between governmental and business-type activities have not been eliminated. The *primary government* is reported separately from its *component units*.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Included in direct expenses are administrative overhead charges for centralized services charged to functions through internal service funds. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular function, and 3) capital grants and contributions that are restricted to meeting the capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation. The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities existing at the end of the year. For this purpose, the State considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Primary revenue sources susceptible to accrual are income taxes, excise taxes, fines, forfeitures, and federal revenues. Derived tax revenue, net of estimated refunds, is recognized in the fiscal year in which they become measurable and available. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Revenue items not susceptible to accrual are considered to be measurable and available only when cash is received; for example, license and fee revenue, the principal portion of loan repayments, and cash sales of goods and services.

Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund and accounts for all financial resources of the general government, except those accounted for in another fund.

State of Oregon
Notes to the Financial Statements

The *Health and Social Services Fund* accounts for programs that provide assistance, services, training, and health care to individuals and families who do not have sufficient resources to meet their basic needs. The primary sources of funding for these programs come from federal grants, cigarette taxes, insurance premiums, and non-federal grants and donations.

The *Public Transportation Fund* accounts for the planning, design, construction, and maintenance of highways, roads, bridges, and public systems relating to air, water, rail, and highway transportation. Funding is provided from dedicated highway user taxes and fees in addition to various federal highway administration funds.

The *Environmental Management Fund* accounts for programs that promote, protect, and preserve the State's forests, parks, wildlife, fish, and waterways. The main funding sources for these programs are usage fees, federal grants, and sales revenue.

The State reports the following major proprietary (enterprise) funds:

The *Housing and Community Services Fund* accounts for activities to finance multi-family housing construction and home mortgages for low-income families and other programs such as the moderate-income elderly and disabled housing finance program, the single-family loan program, and the community development corporation program. Funding is from the issuance of bonds that are repaid from the interest and principal payments made on mortgages.

The *Veterans' Loan Fund* accounts for activities to finance owner-occupied, single-family residential housing for qualified eligible Oregon veterans. Funds for lending are provided through the issuance of general obligation bonds that are repaid from the interest and principal payments made on mortgages.

The *Lottery Operations Fund* accounts for the operation of the Oregon State Lottery. The primary objective of the State Lottery is to produce the maximum amount of net revenues to be used for K-12 education programs, furthering economic development, as well as restoring and protecting certain parks and natural resources.

The *Unemployment Compensation Fund* accounts for federal monies and unemployment taxes collected from employers to provide payment of benefits to the unemployed.

The *University System Fund* accounts for the operations of Oregon's seven public universities, including the Chancellor's Office. Funding is from General Fund appropriations, tuition and fees, and auxiliary enterprise revenues, in addition to funds from external donors and federal agencies.

Additionally, the State reports the following fund types:

The *Internal Service Funds* account for goods and services provided by state agencies or departments to other state agencies or departments and to other governmental units on a cost-reimbursement basis. These include central services such as accounting, budgeting, personnel, mail, printing, copy center, data center, property development, telecommunications, motor pool, and an insurance fund. Legal, banking, and audit services are also accounted for in internal service funds.

The *Pension Trust Funds* account for activities of the Public Employees Retirement System, which administers resources for the payment of retirement, disability, postemployment healthcare, and death benefits to members of the retirement system.

The *Private Purpose Trust Funds* account for all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments. Primarily, this includes the State's Common School Fund,

State of Oregon
Notes to the Financial Statements

which accounts for the principal and interest derived from the sale of timber, land, and property escheated to the State. Earnings in the Common School Fund must be used for educational purposes.

The *Investment Trust Fund* accounts for the portion of the Oregon Short-term Fund (OSTF) belonging to local governments. The OSTF is a cash and investment pool, managed by the State Treasurer, which is available for use by all funds and local governments. Oregon reports the State's portion of the pool within the funds of the State.

The *Agency Fund* accounts for assets held by the State as an agent for other governmental units, organizations, or individuals. For example, the Department of Consumer and Business Services holds deposits and investments to secure the faithful performance by insurers of insurance company obligations, including claims due to policyholders. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not measure the results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Only the Oregon Health and Science University, a discretely presented component unit of the State, applies private-sector guidance issued after November 30, 1989.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The primary operating revenues for the State's enterprise funds and internal service funds include assessments, charges for services, sales revenue and grants. The principal operating expenses for enterprise funds and internal service funds include salaries and wages, services and supplies, and special payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

D. Deposits and Investments.

Deposits. Cash deposits not held in a cash management or investment pool are classified as cash and cash equivalents. Cash deposits that are held in a cash management or investment pool are classified as cash and cash equivalents when the pool has the general characteristics of a demand deposit account. Cash and cash equivalents include: cash on hand, cash and investments held by the State Treasury in the Oregon Short-term Fund, and cash deposits of debt proceeds in investment funds held by a trustee.

Investments. Investments are reported at fair value with the following exceptions, which are reported using cost-based measures:

- Nonparticipating interest-earning investment contracts and certain investments not held for investment purposes.
- Investments in the Oregon Short-term Fund with remaining maturities of up to ninety days are carried at amortized cost, which approximates fair value. The State reports these investments as cash and cash equivalents on the balance sheet or statement of net assets but as investments in Note 2.

Changes in the fair value of investments are recognized as investment income (loss) in the current year.

The fair value of debt and equity securities is determined by the custodial agent, using recognized pricing services. Equity securities traded on a national or international exchange are valued at the last reported sales price. Debt securities are generally valued at the midpoint between the bid and ask prices. A small percentage of debt securities cannot be priced in this manner, and for these, a similar "benchmark" security is used. The benchmark has a coupon rate and maturity date comparable to the debt security being valued,

State of Oregon
Notes to the Financial Statements

and its market risk is similar considering current market conditions. Investments in alternative equities representing publicly traded securities are stated at the quoted market price. Investments in alternative equities representing private securities are generally reported at cost unless a significant market event warrants an adjustment to cost. Mortgage loans on real estate and State agency loans are stated at the amortized unpaid principal balance. Fair values of investments in real estate are based upon valuations provided by investment managers and advisors retained by the Oregon State Treasury.

Derivatives. Derivatives are contracts for which the value depends on, or derives from, the value of an underlying asset, reference rate, or index. In accordance with State investment policies, the Oregon State Treasury invests either directly or through its outside investment managers on behalf of the State in asset-backed securities, including collateralized mortgage obligations, options, futures, and floating-rate notes and bonds. Furthermore, Oregon Public Employees Retirement Fund international investment managers use forward exchange contracts. Derivatives are used to manage the overall risk of investment portfolios. The Oregon State Treasury's direct investments in fixed income securities are not subject to any policies or rules that explicitly prohibit investments in derivative securities. The State does not hold or issue derivative financial instruments for trading purposes. The credit risk, market risk, and legal risk for these investments were not above and beyond those risks that are apparent in the financial statements or otherwise disclosed in the notes to the financial statements.

E. Receivables and Payables. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Trade and income tax receivables consist of revenues earned or accrued in the current period and are shown net of uncollectible amounts.

F. Interfund Transactions. Interfund balances (due to/from other funds and advances to/from other funds) and interfund activity (transfers to/from other funds) reported within a column in the fund financial statements have not been eliminated. Similarly, interfund balances and interfund activity has not been eliminated from the total column, as the State does not present consolidated fund financial statements.

G. Inventories. Inventories, which consist primarily of operating supplies, are stated at cost utilizing the first-in, first-out cost valuation method. In governmental funds, inventories are recorded as expenditures when purchased. Reported inventories in governmental funds are equally offset by a reservation of fund balance since they are not available for appropriation. In proprietary funds, inventories are expended when consumed rather than when purchased. OHSU records inventories at the lower of cost or market, with the majority accounted for under the first-in-first-out method.

H. Prepaid Items. Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items in both government-wide and fund financial statements. In governmental funds, prepaid items are accounted for using the consumption method and a portion of fund balance equal to the prepaid items has been reserved to indicate that it is not available for appropriation.

I. Restricted Assets. Certain proceeds of the State's bond and certificate of participation (COP) issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet or statement of net assets because these resources are segregated and their use is limited by applicable bond covenants or COP financing agreements. Generally, this includes cash and investments set aside for current and future debt service payments.

State of Oregon
Notes to the Financial Statements

J. Foreclosed and Deeded Properties. Properties acquired through foreclosure proceedings or by acceptance of deeds in lieu of foreclosure are recorded at the lower of cost or fair market value.

K. Receivership Assets. Net assets of insurance companies that have been placed into receivership under the control of the Department of Consumer and Business Services in accordance with Oregon Revised Statutes are recorded as receivership assets.

L. Capital Assets. Capital assets, which include property, equipment, and infrastructure assets (i.e., highways, tunnels, bridges, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the State as assets with an initial cost of \$5,000 or more and an estimated useful life of at least one year. Such assets, when purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of assets or significantly extend assets lives are expensed rather than capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Significant interest expense incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as its component units, are depreciated over their estimated useful lives using the straight-line method, unless they are considered inexhaustible. Useful lives for buildings and related assets range from 15 to 50 years while useful lives of equipment and machinery range from 3 to 25 years. For infrastructure assets, useful lives range from 10 to 99 years.

M. Compensated Absences. Employees accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the State does not pay any amounts when employees separate from State service. A liability for vacation leave (compensated absences) is accrued when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for compensated absences is reported in governmental funds only if the liabilities have matured, for example, as a result of employee resignations and retirements.

N. Long-term Obligations. In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities for governmental activities or business-type activities, as applicable. In proprietary funds, long-term debt and other long-term obligations are reported as liabilities in the balance sheet. Bond or certificate of participation (COP) premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the debt using the effective interest method or the bonds outstanding method. Bonds/COP payable is reported net of the applicable bond/COP premium or discount. Bond/COP issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond/COP premiums and discounts, as well as bond/COP issuance costs, in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issues are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Fund Equity. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. No portion of the unreserved fund balance in the accompanying financial statements has been designated.

In the government-wide statement of net assets and the proprietary fund balance sheet, fund equity (referred to as *net assets*) is reported in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Restricted net assets result from restrictions imposed on a portion of net

State of Oregon
Notes to the Financial Statements

assets by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors, or laws or regulations of other governments.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available for use, it is the discretion of the individual state agencies whether to use restricted resources first, then unrestricted resources as they are needed.

2. DEPOSITS AND INVESTMENTS

The State's investment policies are governed by statute and the Oregon Investment Council (Council). The State Treasurer (Treasurer) is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill and caution. While the Treasurer is authorized to use demand deposit accounts and fixed-income investments, equity investment transactions must be directed by external investment managers that are under contract with the Council. Further, equity investments are limited to not more than 50 percent of the monies contributed to the Oregon Public Employees Retirement Fund (OPERF), Industrial Accident Fund (SAIF Corporation), and not more than 65 percent of the Common School Fund within the Division of State Lands. The Deferred Compensation Fund, the Education Endowment Fund, and the State Board of Higher Education may also invest in equities.

The Treasurer maintains the Oregon Short-Term Fund (OSTF), a cash and investment pool that is available for use by all funds and local governments. Oregon reports the State's portion of the pool within the funds of the State. The portion of the pool belonging to local governments is reported in the investment trust fund. Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents. However, OSTF investments are disclosed in B below and classified by custodial credit risk for investments.

The Treasurer also makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Council.

A separate financial report for the OSTF is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896 or from their website at <http://www.ost.state.or.us/wrapfin.htm>.

Participants' account balances in the OSTF are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the OSTF exclusive of unrealized gains and losses.

State of Oregon
Notes to the Financial Statements

The following schedule reconciles the carrying amounts in this disclosure to balances reported in the Government-wide Statement of Net Assets and the Fiduciary Funds Statement of Fiduciary Net Assets (in thousands):

	Cash and Cash Equivalents	Investments	Cash and Securities Held in Trust	Securities Lending Assets
Carrying Amount:				
Deposits - Primary Government.....	\$ 3,114,213	\$ -	\$ -	\$ -
Deposits - Discretely Presented Component Units.....	222,632	-	-	-
Investments - Primary Government.....	-	48,657,243	-	-
Investments - Discretely Presented Component Units	-	3,363,453	-	-
Subtotal	3,336,845	52,020,696	-	-
Cash Equivalents in Oregon Short-Term Fund (OSTF).....	7,632,352	(7,632,352)	-	-
Amounts Held in Trust	(12,417)	(1,416,767)	1,429,184	-
Securities Lending:				
Cash and Reinvested Cash Collateral – Primary Government	-	(2,611,601)	-	2,624,138
Cash and Reinvested Cash Collateral – Component Units	-	(196,247)	-	194,413
Totals	\$10,956,780	\$40,163,729	\$1,429,184	\$2,818,551

A. Deposits. There are three categories of custodial credit risk that apply to deposits of both the State's primary government and its discretely presented component units:

1. Insured or collateralized with securities held by the State or by its agent in the State's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the State's name.
3. Uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the State's name.

Deposit balances held in each category are as follows (in thousands):

	Category			Total Bank Balance	Carrying Amount
	1	2	3		
Primary Government	\$37,650	\$2,551	\$1,997,588	\$2,037,789	\$1,749,741
Discretely Presented Component Units ...	39,934	-	176,741	216,675	222,632
U.S. Treasury Deposits	-	-	-	-	1,364,472
Total	\$77,584	\$2,551	\$2,174,329	\$2,254,464	\$3,336,845

Approximately \$1.8 billion under the third risk category is PERS Investment Managers' deposits in custodian banks. Another \$88.2 million under the third risk category is deposited with bond trustees who assume responsibility for those funds. U.S. Treasury deposits consist of unemployment compensation trust funds held in the Federal Reserve Bank and backed by the full faith and credit of the U.S. Government. Approximately \$12.4 million of the carrying amount of the cash and cash equivalents shown above is reported as cash and securities held in trust.

B. Investments. There are three categories of custodial credit risk that apply to investments of both the State's primary government and its discretely presented component units:

1. Insured or registered, or securities held by the State or its agent in the State's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the State's name.

State of Oregon
Notes to the Financial Statements

Investment balances held by the primary government in each category are as follows (in thousands):

Investments - Categorized	Category			Reported Amount	Fair Value
	1	2	3		
Investments not on Securities Loan:					
U.S. Government and Agency Securities	\$ 8,548,327	\$ -	\$ 12,674	\$ 8,561,001	\$ 8,561,001
Domestic Equity Securities	3,761,891	-	492,191	4,254,082	4,254,082
International Equity Securities	2,835,427	-	-	2,835,427	2,835,427
Commercial Paper	3,322,903	-	-	3,322,903	3,322,903
Corporate Bonds	3,007,613	-	420	3,008,033	3,008,033
Municipal Bonds	432,149	-	-	432,149	432,149
International Bonds	795,283	-	-	795,283	795,283
Asset-Backed Securities	2,175,239	-	-	2,175,239	2,175,239
Repurchase Agreements	103,686	-	-	103,686	103,686
Other	7,986	-	272	8,258	8,258
Investments on Securities Loan for Securities and Tri-Party Agreement Collateral:					
Domestic Equity Securities	1,317	-	-	1,317	1,317
International Equity Securities	101,102	-	-	101,102	101,102
Subtotal	\$25,092,923	\$ -	\$505,557	25,598,480	25,598,480

Investments - Not Categorized

Investments Held by Broker-Dealers Under Securities Loan with Cash Collateral:

U.S. Government and Agency Securities	1,307,117	1,307,117
Domestic Equity Securities	455,738	455,738
International Equity Securities	554,670	554,670
Corporate Bonds	196,691	196,691
International Bonds	5,760	5,760
Securities Lending Short-Term Collateral Investment Pool	2,611,601	2,611,601
Mutual Funds	12,502,599	12,502,599
Alternative Equities	3,532,461	3,532,461
Real Estate and Real Estate Mortgages	1,743,101	1,743,101
Guaranteed Investment Contracts	140,599	140,599
Annuity Contracts	6,774	6,774
Other	1,652	1,652
Total Investments	\$48,657,243	\$48,657,243

Investment balances held by OHSU as of June 30, 2002, and by SAIF Corporation as of December 31, 2001, in each category are as follows (in thousands):

Investments - Categorized	Category			Reported Amount	Fair Value
	1	2	3		
Investments not on Securities Loan:					
U.S. Government and Agency Securities	\$ 222,743	\$ -	\$ -	\$ 222,743	\$ 222,743
Domestic Equity Securities	215,609	-	-	215,609	215,609
Commercial Paper	69,680	-	-	69,680	69,680
Corporate Bonds	897,738	-	-	897,738	897,738
Municipal Bonds	8,788	-	-	8,788	8,788
International Bonds	157,659	-	-	157,659	157,659
Asset-backed Securities	955,387	-	-	955,387	955,387
Other	45,079	-	-	45,079	45,079
Subtotal	\$2,572,683	\$ -	\$ -	2,572,683	2,572,683
Investments - Not Categorized					
Investments Held by Broker-Dealers Under Securities Loan with Cash Collateral:					
U.S. Government and Agency Securities	184,776	184,776			
Corporate Bonds	713	713			
International Bonds	5,005	5,005			
Securities Lending Short-Term Collateral Investment Pool	196,247	196,247			
Mutual Funds	390,808	390,808			
Real Estate and Real Estate Mortgages	1,649	1,649			
Other	11,572	11,572			
Total Investments	\$3,363,453	\$ -	\$ -	\$3,363,453	\$3,363,453

State of Oregon
Notes to the Financial Statements

Repurchase Agreements and Reverse Repurchase Agreements. During the year ended June 30, 2002, repurchase agreements were made for short periods of time. No losses were incurred and there were no violations of legal, regulatory, or contractual provisions of repurchase agreements. No reverse repurchase agreements were made during the year.

Derivative Instruments. Below is a summary of derivative instruments held by the State as of June 30, 2002 (for SAIF Corporation as of December 31, 2001). The credit risk, market risk, and legal risk for these investments were not above and beyond those risks that are apparent in the financial statements or otherwise disclosed in the notes to the financial statements.

Asset-backed securities. The State held asset-backed securities with a fair value of \$3.9 billion, the bulk of which were issued by agencies of the U.S. Government, such as the Federal National Mortgage Association (FNMA), the Government National Mortgage Association (GNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). The remainder of the asset-backed securities include collateralized mortgage obligations and other mortgage-backed and pass-through securities, securities issued by major banks and finance companies collateralized by the revenue streams arising from their auto loan and credit card receivables, and rate reduction bonds. SAIF Corporation held asset-backed securities with a fair value of \$955.3 million.

The State participates in a short-term investment fund maintained by the custodial agent in which the cash collateral received from securities loans is invested. Investments in asset-backed securities account for \$146.0 million or 18.9% of the total fair value of the fund.

Options. OPERF held both put and call options on U.S. Treasury Bond and U.S. Treasury Note futures as well as on Euro currency futures. The unrealized loss on all option positions was approximately \$3.1 million.

Floating rate notes and bonds. The State held floating rate notes and bonds totaling \$383.5 million at fair value, including \$370.2 million held by OPERF. These consisted of securities issued by agencies of the U.S. Government whose rates were tied to the Consumer Price Index as well as asset-backed securities, corporate bonds, and Brady Bonds whose rates were reset with reference to one, three, and six-month London Interbank Offered Rate (LIBOR) and three month Treasury bills. SAIF Corporation held \$100.0 million in floating rate notes at December 31, 2001.

The State participates in a short-term investment fund maintained by the custodial agent in which the cash collateral received from securities loans is invested. Investments in floating rate notes account for \$303.0 million or 39.4% of the total fair value of the fund. These investments were asset-backed securities and bank notes with rates that were tied to the one or three-month LIBOR.

Forward exchange contracts. International investment managers for OPERF use forward exchange contracts (forwards) to manage the influence of foreign currency exchange rate fluctuations on total foreign investment returns. Forwards are agreements to exchange a certain amount of a currency at a certain price denominated in another currency on a certain future date, called the value date. The value dates of forwards open generally ranged from 1 to 57 days after the balance sheet date.

OPERF had \$180.4 million in open forward contracts to buy foreign currencies, and \$494.2 million in open forward contracts to sell foreign currencies, measured at forward exchange rates effective June 30, 2002. Unrealized losses measured as the difference between the contracted currency amounts and the currency amounts based on June 30, 2002 forward exchange rates totaled \$5.0 million.

Forward exchange contracts contain credit risk in that the counterparty may default on the contract. OPERF's international investment managers minimize credit risk by using only major financial institutions as counterparties to forward exchange contracts. Further, State Street Bank as custodial agent is responsible for monitoring the settlement of the contracts.

State of Oregon
Notes to the Financial Statements

Futures. Futures represent commitments to purchase or sell securities or currencies at a future date at a price agreed upon when the contract is originated. Futures contracts are used to manage portfolio duration and to gain exposure to markets or investments that would otherwise be included in the underlying portfolio. OPERF had open futures contracts for foreign currencies and bonds as well as U.S. Treasury and agency securities. These consisted of 4,754 open short futures contracts, with an unrealized gain of \$17.2 million, and 3,972 open long futures contracts, with an unrealized loss of \$1.1 million.

Mutual fund derivative holdings. Several equity index funds owned by the State held futures contracts on equity indexes similar to underlying fund holdings. One international fixed income fund held foreign currency forwards and options.

C. Securities Lending. The State participates in securities lending transactions in accordance with State investment policies. The Oregon State Treasury has, through a Securities Lending Agreement, authorized State Street Bank and Trust Company (State Street) to lend the State's securities to broker-dealers and banks pursuant to a form of loan agreement. There were no significant violations of the provisions of securities lending agreements.

During the year, State Street lent U.S. Government and agency securities, domestic fixed income and equity securities, and international fixed income and equity securities, and received as collateral U.S. dollar-denominated cash, U.S. Government and agency securities, and foreign sovereign debt securities of the Organization of Economic Cooperation Development countries. Borrowers were required to deliver collateral for each loan equal to at least 102% of the fair value of the loaned security, or 105% in the case of international securities. Loans are marked to market daily. If the market value of collateral falls below 102% or 105% of the fair value of the loaned security, the lender may demand from the borrower sufficient collateral to raise the market value to 102% or 105%. If the market value of collateral falls below 100%, the borrower must provide additional collateral to raise the market value to 102% or 105%. The State did not impose any restrictions during the fiscal year on the amount of the loans State Street made on its behalf. The State did not have the ability to pledge or sell collateral securities absent a borrower default, but was fully indemnified by State Street against such losses.

During the year, the State and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on loans from OPERF was invested together with cash collateral of other qualified tax-exempt plan lenders in a collective investment pool (Pool). The cash collateral received on loans from State entities other than OPERF was invested in the Oregon Short-Term Investment Fund (Fund) maintained by State Street. Because loans were terminable at will by either party, their duration did not generally match the duration of investments made with cash collateral in either the Pool or the Fund. For the primary government, the fair value of securities on loan as of June 30, 2002, was \$2.6 billion and the collateral held on the same date was \$2.7 billion. As of December 31, 2001, the fair value of securities on loan and collateral held for SAIF Corporation was \$190.5 million and \$194.4 million respectively. The State had no credit risk exposure to borrowers related to securities on loan.

Securities lent at year end for cash collateral are presented as not categorized in the preceding schedule of custodial credit risk. Cash collateral invested in the short-term investment fund maintained by State Street is presented as not categorized in the schedule of custodial credit risk. Securities lent for securities collateral are classified according to the category of the collateral received.

D. Restricted Assets. Included in deposits and investments are amounts which are committed for specific purposes, including loan acquisitions, payment of debt service, lottery prizes, and deferred compensation. At June 30, 2002, the primary government had restricted assets of \$1.2 billion in deposits and \$893.7 million in investments. The discretely presented component units had restricted assets of \$233.9 million in investments.

State of Oregon
Notes to the Financial Statements

3. RECEIVABLES AND PAYABLES

A. Receivables

Notes, Contracts, Mortgages, and Other long-term receivables are not expected to be collected within one year of the date of the financial statements.

Receivables reported for governmental activities at June 30, 2002, were as follows (in thousands):

	Health and							<u>Total</u>
	<u>General</u>	<u>Social Services</u>	<u>Public Transportation</u>	<u>Environmental Management</u>	<u>Other</u>	<u>Internal Service</u>		
Governmental activities:								
General accounts.....	\$ 11,912	\$ 17,945	\$ 5,228	\$ 8,372	\$ 59,840	\$ 68,588		\$ 171,885
Due from federal government ..	5	169,560	47,385	14,476	75,134	2,069		308,629
Interest.....	-	39	901	3,866	9,437	1,077		15,320
Contracts.....	351	-	2,233	279	1,481	34		4,378
Mortgages.....	-	4,574	-	-	-	-		4,574
Other	38,429	180,379	6,664	5,471	298,246	58		529,247
Gross receivables	50,697	372,497	62,411	32,464	444,138	71,826		1,034,033
Allowance for uncollectibles	(20,840)	(91,275)	(1,835)	(1,837)	(126,210)	(567)		(242,564)
Total receivables, net	<u>\$ 29,857</u>	<u>\$ 281,222</u>	<u>\$ 60,576</u>	<u>\$ 30,627</u>	<u>\$317,928</u>	<u>\$ 71,259</u>		<u>\$ 791,469</u>

Receivables reported for business-type activities at June 30, 2002, were as follows (in thousands):

	Housing and							<u>Total</u>
	<u>Community Services</u>	<u>Veterans' Loan</u>	<u>Lottery Operations</u>	<u>Unemployment Compensation</u>	<u>University System</u>	<u>Other</u>		
Business-type activities:								
General accounts.....	\$ 114	\$ 343	\$ 24,602	\$ 17,191	\$ 54,507	\$ 10,265		\$ 107,022
Interest.....	11,453	8,480	-	23,774	-	7,522		51,229
Notes.....	-	-	-	-	139,116	-		139,116
Contracts.....	-	-	-	-	42,238	-		42,238
Other	-	-	-	18,462	4,119	-		22,581
Gross receivables	11,567	8,823	24,602	59,427	239,980	17,787		362,186
Allowance for uncollectibles	-	-	(508)	(9,607)	(9,954)	(515)		(20,584)
Total receivables, net	<u>\$ 11,567</u>	<u>\$ 8,823</u>	<u>\$ 24,094</u>	<u>\$ 49,820</u>	<u>\$ 230,026</u>	<u>\$ 17,272</u>		<u>\$ 341,602</u>

Receivables reported for fiduciary funds at June 30, 2002, were as follows (in thousands):

	Private			<u>Agency</u>
	<u>Purpose Trust</u>	<u>Investment Trust</u>	<u>Agency</u>	
Fiduciary fund activities:				
General accounts.....	\$ 513	\$ 80	\$ 3,769	
Due from federal government.....	157	-	-	
Notes	-	-	105,461	
Contracts.....	160	-	-	
Other	252	-	430	
Gross receivables.....	1,082	80	109,660	
Allowance for uncollectibles	-	-	-	
Total receivables, net	<u>\$ 1,082</u>	<u>\$ 80</u>	<u>\$ 109,660</u>	

State of Oregon
Notes to the Financial Statements

Receivables reported for the SAIF Corporation (SAIF) at December 31, 2001, and the Oregon Health and Science University (OHSU) at June 30, 2002, were as follows (in thousands):

	<u>SAIF</u>	<u>OHSU</u>	<u>Total</u>
Discretely presented component units:			
Patient accounts.....	\$ -	\$ 140,237	\$ 140,237
Premiums.....	94,008	-	94,008
Interest.....	20,473	2,953	23,426
Student loans.....	-	24,604	24,604
Pledges and estates	-	31,099	31,099
Contracts.....	-	5,674	5,674
Broker receivable – investment sales	9,385	-	9,385
Other	8,777	33,188	41,965
Gross receivables.....	<u>132,643</u>	<u>237,755</u>	<u>370,398</u>
Allowance for uncollectibles	<u>(2,561)</u>	<u>(71,571)</u>	<u>(74,132)</u>
Total receivables, net.....	<u>\$ 130,082</u>	<u>\$ 166,184</u>	<u>\$ 296,266</u>

B. Payables

Payables reported for governmental activities at June 30, 2002, were as follows (in thousands):

	Health and Social Services						Public Transportation	Environmental Management	Other	Internal Service	<u>Total</u>
	<u>General</u>	<u>Social Services</u>	<u>Public Transportation</u>	<u>Environmental Management</u>	<u>Other</u>	<u>Internal Service</u>	<u>Total</u>				
Governmental activities:											
General accounts.....	\$ 119,133	\$ 116,605	\$ 74,629	\$ 18,579	\$ 69,888	\$ 15,432	\$ 414,266				
Interest.....	4	-	-	-	-	607	1,039	1,650			
Taxes	10	-	-	-	-	-	-	-	10		
Contracts.....	-	-	-	-	-	25	82	107			
Loans	-	-	-	-	-	-	730	730			
Total payables	<u>\$ 119,147</u>	<u>\$ 116,605</u>	<u>\$ 74,629</u>	<u>\$ 18,579</u>	<u>\$ 70,520</u>	<u>\$ 17,283</u>	<u>\$ 416,763</u>				

Payables reported for business-type activities at June 30, 2002, were as follows (in thousands):

	Housing and Community Services						Veterans' Loan	Lottery Operations	Unemployment Compensation	University System	Other	<u>Total</u>
	<u>Community Services</u>	<u>Veterans' Loan</u>	<u>Lottery Operations</u>	<u>Unemployment Compensation</u>	<u>University System</u>	<u>Other</u>	<u>Total</u>					
Business-type activities:												
General accounts.....	\$ 978	\$ 20,993	\$ 29,629	\$ 22,883	\$ 60,251	\$ 19,487	\$ 154,221					
Interest.....	38,138	163	-	-	8,216	4,721	51,238					
Loans	4,000	-	-	-	-	-	-	4,000				
Notes.....	-	-	-	-	-	4,577	-	4,577				
Total payables	<u>\$ 43,116</u>	<u>\$ 21,156</u>	<u>\$ 29,629</u>	<u>\$ 22,883</u>	<u>\$ 73,044</u>	<u>\$ 24,208</u>	<u>\$ 214,036</u>					

State of Oregon
Notes to the Financial Statements

Payables reported for fiduciary funds at June 30, 2002, were as follows (in thousands):

	Pension Trust	Private Purpose Trust	Investment Trust
Fiduciary fund activities:			
General accounts.....	\$ 45,813	\$ 110	\$ -
Broker payable for investment purchases.....	2,626,024	39,246	12,078
Mortgages	-	1,159	-
Total payables	<u>\$ 2,671,837</u>	<u>\$ 40,515</u>	<u>\$ 12,078</u>

Payables reported for the SAIF Corporation (SAIF) at December 31, 2001, and the Oregon Health and Science University (OHSU) at June 30, 2002, were as follows (in thousands):

	<u>SAIF</u>	<u>OHSU</u>	<u>Total</u>
Discretely presented component units:			
General accounts.....	\$ 319,906	\$ 96,682	\$ 416,588
Contracts.....	-	64,751	64,751
Reinsurance.....	3,255	-	3,255
Line of credit.....	-	9,800	9,800
Premium taxes	9,878	-	9,878
Total payables	<u>\$ 333,039</u>	<u>\$ 171,233</u>	<u>\$ 504,272</u>

4. JOINT VENTURE

The Multi-State Lottery Association (MUSL) was established in 1987 by a joint venture agreement. MUSL members include: the Arizona Lottery, Connecticut Lottery Corporation, Colorado Lottery, District of Columbia Lottery and Charitable Games Control Board, Delaware State Lottery, Hoosier Lottery, Idaho Lottery, Iowa Lottery, Kansas Lottery, Kentucky Lottery Corporation, Louisiana Lottery Corporation, Minnesota State Lottery, Missouri Lottery, Montana Lottery, Nebraska Lottery, New Hampshire Sweepstakes Commission, New Mexico Lottery Authority, Oregon Lottery, Pennsylvania Lottery, Rhode Island Lottery, South Carolina Education Lottery, South Dakota Lottery, West Virginia Lottery, and the Wisconsin Lottery.

MUSL is governed by a Board of Directors, on which each member lottery is represented. The Board's responsibilities to administer multi-state lottery games are performed by a Product Group, advisory committees, or panels staffed by officers and independent contractors as appointed by the Board. Each member lottery pays an allocated share of MUSL's operating expenses. The Oregon Lottery's share of MUSL's operating expenses for the fiscal year ended June 30, 2002 was \$181,922.

The Board and Product Group determine a percentage of gross MUSL game sales that are aggregated in a common prize pool. The revenues derived by each member lottery, that are not allocated to the common prize pool and MUSL's operating expenses, will be the revenue of that member lottery. Upon termination of the MUSL's existence, if such termination should occur, the member lottery would receive any proceeds determined available for distribution by the Board. Long-term liabilities of MUSL are limited to lottery prize annuities due, which are fully funded through investments in United States Government Securities. As of June 30, 2002, the Oregon Lottery had \$3.1 million on deposit with the MUSL for payment of the Oregon Lottery's share of MUSL's prize reserve and annual operating expenses.

Complete separate financial statements for MUSL may be obtained from the Multi-State Lottery Association, Attention: Chuck Strutt, 1701 48th Street, Suite 210, West Des Moines, Iowa 50266-6723.

State of Oregon
Notes to the Financial Statements

5. CAPITAL ASSETS

A. Primary Government.

Capital Asset Activity. Capital asset activity for the primary government for the year ended June 30, 2002, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 814,172	\$ 735,299	\$ 34,432	\$ 1,515,039
Construction in Progress	356,225	65,882	17,633	404,474
Works of Art and Historical Treasures	-	454	-	454
Total capital assets not being depreciated	<u>1,170,397</u>	<u>801,635</u>	<u>52,065</u>	<u>1,919,967</u>
<i>Capital assets being depreciated:</i>				
Buildings, Property, and Equipment	1,611,396	507,998	218,609	1,900,785
Infrastructure	-	13,650,900	-	13,650,900
Total capital assets being depreciated	<u>1,611,396</u>	<u>14,158,898</u>	<u>218,609</u>	<u>15,551,685</u>
Less accumulated depreciation for:				
Buildings, Property, and Equipment	143,307	631,971	29,000	746,278
Infrastructure	-	5,965,912	-	5,965,912
Total accumulated depreciation	<u>143,307</u>	<u>6,597,883</u>	<u>29,000</u>	<u>6,712,190</u>
Total capital assets being depreciated, net	<u>1,468,089</u>	<u>7,561,015</u>	<u>189,609</u>	<u>8,839,495</u>
Governmental activities capital assets, net	<u>\$ 2,638,486</u>	<u>\$ 8,362,650</u>	<u>\$ 241,674</u>	<u>\$ 10,759,462</u>
 Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 126,663	\$ 9,324	\$ -	\$ 135,987
Construction in Progress	3,345	140,926	10,463	133,808
Works of Art and Historical Treasures	30,584	27,405	-	57,989
Total capital assets not being depreciated	<u>160,592</u>	<u>177,655</u>	<u>10,463</u>	<u>327,784</u>
<i>Capital assets being depreciated:</i>				
Buildings, Property, and Equipment	1,734,097	93,876	125,545	1,702,428
Infrastructure	-	30,899	-	30,899
Total capital assets being depreciated	<u>1,734,097</u>	<u>124,775</u>	<u>125,545</u>	<u>1,733,327</u>
Less accumulated depreciation for:				
Buildings, Property, and Equipment	101,982	1,060,700	50,851	1,111,831
Infrastructure	-	26,264	-	26,264
Total accumulated depreciation	<u>101,982</u>	<u>1,086,964</u>	<u>50,851</u>	<u>1,138,095</u>
Total capital assets being depreciated, net	<u>1,632,115</u>	<u>(962,189)</u>	<u>74,694</u>	<u>595,232</u>
Business-type activities capital assets, net	<u>\$ 1,792,707</u>	<u>\$ (784,534)</u>	<u>\$ 85,157</u>	<u>\$ 923,016</u>

State of Oregon
Notes to the Financial Statements

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Fiduciary fund activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,625	\$ -	\$ -	\$ 1,625
Works of Art and Historical Treasures	-	25	-	25
Total capital assets not being depreciated	<u>1,625</u>	<u>25</u>	<u>-</u>	<u>1,650</u>
<i>Capital assets being depreciated:</i>				
Buildings, Property, and Equipment	14,082	1,408	5,193	10,297
Infrastructure	-	9,226	-	9,226
Total capital assets being depreciated	<u>14,082</u>	<u>10,634</u>	<u>5,193</u>	<u>19,523</u>
Less accumulated depreciation for:				
Buildings, Property, and Equipment	2,794	1,784	1,272	3,306
Infrastructure	-	5,972	-	5,972
Total accumulated depreciation	<u>2,794</u>	<u>7,756</u>	<u>1,272</u>	<u>9,278</u>
Total capital assets being depreciated, net	<u>11,288</u>	<u>2,878</u>	<u>3,921</u>	<u>10,245</u>
Fiduciary fund activities capital assets, net	<u>\$ 12,913</u>	<u>\$ 2,903</u>	<u>\$ 3,921</u>	<u>\$ 11,895</u>

Depreciation Expense. Depreciation expense was charged to functions of the primary government as follows (in thousands):

Governmental activities:

Education	\$ 443
Human Resources	1,689
Public Safety	30,313
Economic and Community Development	574
Natural Resources	15,226
Transportation	506,128
Consumer and Business Services	731
Administration	3,123
Legislative	778
Judicial	738
Total depreciation expense – governmental activities	<u>\$ 559,743</u>

Business-type activities:

Housing and Community Services	\$ 148
Veterans' Loan	539
Lottery Operations	4,566
University System	55,472
Other Business-type Activities	3,312
Total depreciation expense – business-type activities	<u>\$ 64,037</u>

Fiduciary fund activities:

Common School Fund	\$ 736
Pension Trust	288
Total depreciation expense – fiduciary activities	<u>\$ 1,024</u>

State of Oregon
Notes to the Financial Statements

Construction Commitments. The State has active construction projects as of June 30, 2002, which will be funded either through a general fund appropriation, federal grants, lottery resources, or other funding sources as noted in the schedule below. At year end, the State's construction commitments with contractors are as follows (in thousands):

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>	<u>Remaining Commitment</u>	<u>Source of Funds</u>
	General	Federal	Lottery	Other
North mall office complex	\$ 5,394	\$ 13,572	\$ -	\$ 13,572
Emergency coordination facility	19,756	936	200	736
Public safety training facility	1,174	1,840	-	1,840
Military facilities	4,959	3,129	2,525	591
Forestry headquarters buildings	15,414	23,829	2,699	21,130
State Fair facilities	5,531	7,311	-	7,311
University building construction and upgrades	127,517	342,600	-	342,600
Prison construction and upgrades	482,975	50,216	192	50,024
Road and bridge construction	220,065	321,000	192,300	128,700
Upgrade and maintenance of various state facilities	12,639	3,056	936	2,120
Total	\$ 895,424	\$ 767,489	\$ 2,891	\$ 195,961
			\$ 7,324	\$ 561,313

Collections Not Capitalized. Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets include highway maintenance equipment displayed at various district and regional offices, printing equipment displayed at the Salem Print Plant, a museum of military artifacts at Camp Withycombe in Clackamas, Oregon, and a collection of art work portraying various Oregon locals displayed at the Oregon Liquor Control Commission headquarters. They have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are:

1. The collections are held for public exhibition or education in the furtherance of public service, not held for financial gain;
2. The collections are protected, kept unencumbered, cared for, and preserved; and
3. The collections are subject to state agency policy that requires the proceeds from sales of collection items to be used to acquire other items for the collections.

B. Discretely Presented Component Units.

Activity for SAIF Corporation for the year ended December 31, 2001, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,944	\$ 323	\$ 345	\$ 2,922
Total capital assets not being depreciated	<u>2,944</u>	<u>323</u>	<u>345</u>	<u>2,922</u>
<i>Capital assets being depreciated:</i>				
Buildings, Property, and Equipment	52,815	4,557	6,567	50,805
Total capital assets being depreciated	<u>52,815</u>	<u>4,557</u>	<u>6,567</u>	<u>50,805</u>
Less accumulated depreciation for:				
Buildings, Property, and Equipment	26,625	3,719	3,823	26,521
Total accumulated depreciation	<u>26,625</u>	<u>3,719</u>	<u>3,823</u>	<u>26,521</u>
Total capital assets being depreciated, net	<u>26,190</u>	<u>838</u>	<u>2,744</u>	<u>24,284</u>
SAIF Corporation capital assets, net	<u>\$ 29,134</u>	<u>\$ 1,161</u>	<u>\$ 3,089</u>	<u>\$ 27,206</u>

State of Oregon
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Activity for the Oregon Health and Science University (OHSU) for the year ended June 30, 2002, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,513	\$ 2,776	\$ -	\$ 8,289
Construction in Progress	75,684	34,129	85,825	23,988
Total capital assets not being depreciated	<u>81,197</u>	<u>36,905</u>	<u>85,825</u>	<u>32,277</u>
<i>Capital assets being depreciated:</i>				
Buildings, Property, and Equipment	898,024	207,690	20,809	1,084,905
Total capital assets being depreciated	<u>898,024</u>	<u>207,690</u>	<u>20,809</u>	<u>1,084,905</u>
Less accumulated depreciation for:				
Buildings, Property, and Equipment	371,543	90,226	7,939	453,830
Total accumulated depreciation	<u>371,543</u>	<u>90,226</u>	<u>7,939</u>	<u>453,830</u>
Total capital assets being depreciated, net	<u>526,481</u>	<u>117,464</u>	<u>12,870</u>	<u>631,075</u>
OHSU capital assets, net	<u>\$ 607,678</u>	<u>\$ 154,369</u>	<u>\$ 98,695</u>	<u>\$ 663,352</u>

6. LEASES

A. Operating Leases. Operating leases are rental agreements where the payments are chargeable as rent and recorded as services and supplies expenditures. Should the Legislature disallow the necessary funding for particular leases, all lease agreements contain termination clauses that provide for cancellation of the lease as of the end of a fiscal year. Lease obligations decrease each year because of lease expirations. It is expected these leases will be replaced with leases that have higher rental rates due to inflation. Rental costs for such leases for the year ended June 30, 2002, for the primary government, were \$77.8 million and for the component units were \$8.0 million.

The following schedule summarizes the future minimum lease payments as of June 30, 2002, (in thousands):

<u>Year Ending June 30.</u>	<u>Primary Government</u>	<u>Component Units</u>
2003	\$ 88,089	\$ 8,060
2004	81,442	7,530
2005	75,263	7,132
2006	70,402	6,021
2007	61,670	5,797
2008-2012	230,554	19,144
2013-2017	170,205	3,639
2018-2022	940	-
2023-2027	33	-
2028-2032	33	-
2033-2037	33	-
2038-2042	55	-
Total future minimum lease payments	<u>\$ 778,719</u>	<u>\$ 57,323</u>

B. Capital Leases. Capital leases are treated similar to purchases on contract. The property is capitalized at the present value when the lease is incurred and a corresponding liability is recorded. The liability for capital leases of property is included in the accompanying financial statements. Should the Legislature disallow the necessary funding for particular leases, all lease agreements contain termination clauses that provide for cancellation of the lease as of the end of a fiscal year.

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The assets acquired through capital leases are as follows (in thousands):

<u>Asset Class</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings, Property, and Equipment	\$ 7	\$ 6,000
Less: Accumulated Depreciation	(1)	(4,811)
Total	\$ 6	\$ 1,189

The following schedule summarizes the future minimum lease payments and net present value of these minimum lease payments as of June 30, 2002, (in thousands):

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>	
2003	\$ 2	\$ 701	\$ 1,049	
2004	2	394		1,045
2005	1	240		999
2006	1	154		999
2007	-	112		998
2008-2012	-	-		3,432
Total future minimum lease payments	6	1,601		8,522
Less amounts representing interest	(1)	(220)		(2,808)
Present value of minimum lease payments	\$ 5	\$ 1,381		\$ 5,714

7. DONOR-RESTRICTED ENDOWMENTS

Oregon University System

Oregon Revised Statute 351.130 provides the Oregon University System (OUS) with the authority to use interest income, dividends, or profits of endowments specifically for the higher education institution receiving the gift. Any donee restrictions must also be abided. Current OUS Board policy is to annually distribute, for spending purposes, 4.0 percent of the five-year moving average of the market value of the endowment fund and to maintain the purchasing power of the funds as nearly as prudent investment permits. For the year ended June 30, 2002, the net amount of appreciation available for authorization for expenditure was \$12.3 million.

Oregon Health and Science University

Oregon Revised Statutes 128.320, 128.325, and 128.340 provide the Oregon Health and Science University (OHSU) with the authority to use the net appreciation of restricted endowments as established by the donee. Current OHSU Board policy is to allow distributions of 5.0 percent of the three-year moving average of the market value of the endowment pool. For the year ended June 30, 2002, the net amount of appreciation available for authorization for expenditure was \$22.9 million.

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8. SHORT-TERM DEBT

On May 1, 2002, the State issued \$778.8 million of tax anticipation notes to manage the temporary cash flow deficits that occur when the timing of required expenditures does not coincide with the timing of the collection of taxes and other revenues. The notes were issued in anticipation of collection of income taxes to be received during the 2001- 2003 biennium and will be repaid with income tax revenue prior to the end of the biennium. The proceeds were deposited to the general fund and will be used to pay authorized expenditures of the current biennium.

Oregon Department of Veterans' Affairs (ODVA) uses a taxable line of credit to help preserve certain refunding opportunities that may be used to finance veterans' housing loans. The variable rate line of credit is with KeyBank National Association and may not exceed \$30 million.

On May 7, 2002, OHSU entered into an agreement with Wells Fargo Bank for a \$25 million variable rate line of credit. Of the funds borrowed during the year, \$9.5 million was used for capital additions and the remainder was used for general operations.

Short-term debt activity for the year ended June 30, 2002, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Repaid</u>	<u>Ending Balance</u>
Governmental activities:				
Tax anticipation notes	\$ -	\$ 778,820	\$ -	\$ 778,820
Issuance premium	-	9,541	-	9,541
Total tax anticipation notes payable	-	788,361	-	788,361
Business-type activities:				
ODVA line of credit	20,000	60,000	80,000	-
Discretely presented component units:				
OHSU line of credit	-	20,300	10,500	9,800
Total short-term debt activity	<u>\$ 20,000</u>	<u>\$ 868,661</u>	<u>\$ 90,500</u>	<u>\$ 798,161</u>

9. LONG-TERM LIABILITIES

A. General Obligation Bonds. The State issues general obligation bonds to provide funds for a variety of projects as authorized by the Oregon Constitution. General obligation bonds are secured by a pledge of the full faith, credit, and taxing power of the State.

Specific provisions of the Oregon Constitution authorize general obligation debt to be issued for governmental activities. Article XI-G provides authorization to finance buildings and projects for community colleges. Debt service requirements for community colleges are financed through an appropriation from the General Fund. Obligations issued for highway construction pursuant to article XI, section 7, are fully self-supporting. Article XI-H authorizes the financing of pollution abatement and control facilities as well as pollution control and disposal activities. Facilities acquired under the pollution control program are required to conservatively appear to be at least 70 percent self-supporting and self-liquidating from revenues, gifts, federal grants, assessments, user charges, and other fees.

The Oregon Constitution also authorizes general obligation debt to be used for business-type activities. Article XI-A authorized the creation of the Oregon War Veterans' Fund to finance farm and home loans for eligible veterans. Financing of multi-family housing for elderly and disabled persons is authorized in article XI-I (2). Article XI-J provides authorization to finance loans for the development of small-scale local energy

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projects. Issuance of general obligation bonds to finance higher education building projects is authorized in article XI-F (1). Article XI-G authorizes financing of higher education facilities and institution activities. Debt service requirements for these higher education obligations are financed through an appropriation from the General Fund. Financing of loans for water development projects is authorized in article XI-I (1). These programs are fully self-supporting. Certain provisions of the Water Resources general obligation bond indenture conflict with State statutes. Upon the advice of the Attorney General, the method of handling investment interest is in compliance with the statutes rather than the bond indenture.

The following schedule shows the debt service requirements for general obligation bonds as of June 30, 2002 (in thousands):

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2003	\$ 7,105	\$ 3,413	\$ 178,693	\$ 115,339
2004	5,240	3,103	152,417	105,528
2005	5,290	2,839	131,262	97,043
2006	4,110	2,596	111,710	89,639
2007	4,360	2,388	108,326	83,667
2008-2012	20,240	8,773	367,660	332,856
2013-2017	16,265	3,469	299,229	268,638
2018-2022	6,105	595	483,814	172,639
2023-2027	-	-	224,080	86,074
2028-2032	-	-	132,415	36,077
2033-2037	-	-	31,010	16,183
2038-2042	-	-	38,670	7,143
2043-2047	-	-	<u>4,465</u>	<u>120</u>
Total.....	<u>\$ 68,715</u>	<u>\$ 27,176</u>	<u>\$ 2,263,751</u>	<u>\$1,410,946</u>

B. Revenue Bonds. Authority for the State to issue revenue bonds is granted in the Oregon Revised Statutes (ORS). Revenue bonds are secured by a pledge of revenues derived from the operation of a program funded by the issuance of these obligations. The resulting bond obligations are not general obligations of the State.

The State is authorized in ORS 286.560 through 286.580 and 348.716 to issue revenue bonds that are supported by unobligated net lottery proceeds. To date, these lottery revenue bonds have been issued for infrastructure improvements, state parks, expansion and refurbishment of school facilities, light rail transportation, improvement of state fair facilities, and economic development in rural and distressed communities. Lottery revenue bonds have been issued for both governmental and business-type activities.

Highway user tax bonds, authorized by ORS 367.615, are issued by the Department of Transportation for governmental activities to build and maintain public roads. Debt service payments for these bonds are funded by highway user taxes.

ORS 565.095 authorizes the issuance of revenue bonds for capital construction and improvements for the State Fair and Exposition Center. Revenues from state fair activities support these bonds. The Housing and Community Services Department is authorized by ORS 456.645 to issue revenue bonds for financing single-family mortgage loans and multi-family housing projects. Mortgage payments and fees as well as rental revenues support these bonds. The Economic and Community Development Department is authorized in ORS 285B.467 to 285B.479 to issue revenue bonds for financing infrastructure improvement projects through the Special Public Works Fund and is authorized in ORS 285B.572 to 285B.578 to issue revenue bonds for financing water projects through the Water Fund. Loan repayments support the bonds for both of these activities. All of these bonds for business-type activities are self-supporting.

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The Public Employees Retirement System guarantees the bonds reported in the Pension Trust Fund.

Authority is granted in ORS 288.805 to 288.945 for the Oregon Health and Science University (OHSU), a discretely presented component unit of the State, to issue revenue bonds for the construction and refurbishment of facilities or the acquisition of equipment. These revenue bonds are payable from the revenues of OHSU.

The following schedule shows the debt service requirements for revenue bonds as of June 30, 2002 (in thousands):

Year Ending <u>June 30.</u>	Governmental Activities		Business-type Activities		Pension Trust Fund		Discretely Presented Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003.....	\$ 53,821	\$ 37,227	\$ 165,444	\$ 72,324	\$ 900	\$ 4,130	\$ 8,125	\$ 9,978
2004.....	38,128	35,306	32,087	68,713	900	4,055	6,165	9,729
2005.....	42,286	33,526	35,289	68,057	1,000	3,980	6,575	9,518
2006.....	42,014	31,689	36,808	66,418	1,100	3,897	7,095	9,302
2007.....	43,755	29,648	38,262	64,661	1,200	3,805	7,255	9,087
2008-2012	226,880	113,747	204,701	289,720	7,700	17,336	41,444	45,954
2013-2017	165,740	55,391	203,135	232,389	11,500	13,326	44,493	50,304
2018-2022	69,311	24,826	219,814	174,020	21,800	7,047	35,628	72,303
2023-2027	61,935	8,252	257,030	106,663	-	-	97,270	20,682
2028-2032	-	-	195,940	36,932	-	-	53,730	2,085
2033-2037	-	-	33,605	7,278	-	-	-	-
2038-2042	-	-	12,785	3,018	-	-	-	-
2043-2047	-	-	3,365	170	-	-	-	-
Total.....	<u>\$ 743,870</u>	<u>\$369,612</u>	<u>\$1,438,265</u>	<u>\$1,190,363</u>	<u>\$ 46,100</u>	<u>\$ 57,576</u>	<u>\$ 307,780</u>	<u>\$ 238,942</u>

C. Certificates of Participation. ORS 283.085 to 283.092 authorizes the State to enter into financing agreements through the issuance of certificates of participation. The State has issued certificates of participation to provide funds for the acquisition of computer systems, the acquisition of telecommunication systems, and for the acquisition, construction, or remodeling of State facilities. Certificates of participation have been issued for both governmental and business-type activities.

The following schedule shows the debt service requirements for certificates of participation as of June 30, 2002 (in thousands):

Year Ending <u>June 30.</u>	Governmental Activities		Business-type Activities		Pension Trust Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2003.....	\$ 34,039	\$ 38,040	\$ 4,156	\$ 1,365	\$ 335	\$ 371
2004.....	33,663	37,702	3,882	1,195	350	356
2005.....	34,448	36,080	2,747	992	370	340
2006.....	34,956	34,386	2,539	871	390	322
2007.....	34,511	32,740	2,024	778	405	303
2008-2012	187,908	136,975	7,737	2,626	2,360	1,184
2013-2017	200,965	86,600	5,255	619	3,060	498
2018-2022	153,740	38,852	-	-	-	-
2023-2027	72,145	8,471	-	-	-	-
2028-2032	945	48	-	-	-	-
Total.....	<u>\$ 787,320</u>	<u>\$ 449,894</u>	<u>\$ 28,340</u>	<u>\$ 8,446</u>	<u>\$ 7,270</u>	<u>\$ 3,374</u>

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D. Changes in Long-Term Liabilities. The following schedule summarizes the changes in long-term liabilities for governmental activities for the year ended June 30, 2002 (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds/certificates payable:					
General obligation bonds.....	\$ 77,845	\$ -	\$ 9,130	\$ 68,715	\$ 7,105
Revenue bonds	502,025	269,666	27,821	743,870	53,821
Certificates of participation.....	787,426	317,683	317,789	787,320	34,039
Less deferred amounts:					
For issuance discounts	(818)	(971)	(564)	(1,225)	-
For issuance premiums	277	22,069	402	21,944	-
On refunding.....	(2,036)	(16,370)	(378)	(18,028)	-
Total bonds/certificates payable ...	<u>1,364,719</u>	<u>592,077</u>	<u>354,200</u>	<u>1,602,596</u>	<u>94,965</u>
Other liabilities:					
Obligations under capital lease.....	-	8	3	5	1
Claims and judgments.....	1,165,539	1,139,507	1,134,793	1,170,253	97,097
Compensated absences.....	106,890	168,064	165,058	109,896	109,896
Arbitrage rebate.....	7,790	4,068	6,769	5,089	1,524
Contracts, mortgages and notes.....	1,075	138	376	837	410
Total other liabilities.....	<u>1,281,294</u>	<u>1,311,785</u>	<u>1,306,999</u>	<u>1,286,080</u>	<u>208,928</u>
Total governmental activity long-term liabilities	<u>\$ 2,646,013</u>	<u>\$ 1,903,862</u>	<u>\$ 1,661,199</u>	<u>\$ 2,888,676</u>	<u>\$ 303,893</u>

Internal service funds predominantly serve the governmental funds; thus, long-term liabilities for them are included as part of the totals for governmental activities. The liability for compensated absences attributable to governmental activities will be liquidated by several governmental and internal service funds. In the prior year, approximately 34 percent of the liability was paid by the General Fund, 15 percent by the Health and Social Services Fund, 14 percent by the Public Transportation Fund, and the remainder by other governmental funds and internal service funds.

The claims and judgments liability will generally be liquidated through the Employment Services Fund and the Central Services Fund, an internal service fund. The arbitrage rebate liability will generally be liquidated through the Environmental Management Fund, and the remainder by other governmental funds and internal service funds. The liability for contracts, mortgages, and notes will generally be liquidated through internal service funds.

The following schedule summarizes the changes in long-term liabilities for business-type activities for the year ended June 30, 2002 (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Bonds/certificates payable:					
General obligation bonds.....	\$ 2,154,464	\$ 382,628	\$ 273,341	\$ 2,263,751	\$ 183,808
Revenue bonds	1,321,265	338,164	221,164	1,438,265	165,444
Certificates of participation.....	31,274	5,072	8,006	28,340	4,156
Less deferred amounts:					
For issuance discounts	(7,206)	(749)	(823)	(7,132)	-
For issuance premiums	1,252	2,525	336	3,441	-
On refunding.....	(342)	(1,136)	(138)	(1,340)	-
For accreted interest.....	59,064	10,257	7,845	61,476	-
Total bonds/certificates payable ...	<u>3,559,771</u>	<u>736,761</u>	<u>509,731</u>	<u>3,786,801</u>	<u>353,408</u>

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Other liabilities:

Obligations under capital lease.....	3,066	217	1,902	1,381	332
Lottery prize awards.....	-	97,376	10,674	86,702	10,538
Compensated absences	39,535	15,391	15,060	39,866	39,866
Arbitrage rebate.....	9,659	861	4,142	6,378	1,521
Contracts, mortgages and notes.....	79,677	417,822	488,922	8,577	3,144
Trust funds.....	-	18,672	-	18,672	17,892
Total other liabilities.....	<u>131,937</u>	<u>550,339</u>	<u>520,700</u>	<u>161,576</u>	<u>73,293</u>

Total business-type activity long-term liabilities

liabilities \$ 3,691,708 \$1,287,100 \$1,030,431 \$ 3,948,377 \$ 426,701

The following schedule summarizes the changes in long-term liabilities for fiduciary fund activities for the year ended June 30, 2002 (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Fiduciary fund activities:					
Bonds/certificates payable:					
Revenue bonds	\$ 46,900	\$ -	\$ 800	\$ 46,100	\$ 900
Certificates of participation.....	7,440	6,145	6,315	7,270	335
Less deferred amounts:					
For issuance premiums	-	383	11	372	-
On refunding.....	-	(440)	(35)	(405)	-
Total bonds/certificates payable ...	<u>54,340</u>	<u>6,088</u>	<u>7,091</u>	<u>53,337</u>	<u>1,235</u>
Other liabilities:					
Compensated absences	-	396	162	234	234
Contracts, mortgages and notes.....	-	1,196	37	1,159	36
Total other liabilities.....	-	1,592	199	1,393	270
Total fiduciary fund long-term liabilities	<u>\$ 54,340</u>	<u>\$ 7,680</u>	<u>\$ 7,290</u>	<u>\$ 54,730</u>	<u>\$ 1,505</u>

The following schedule summarizes the changes in long-term liabilities for the SAIF Corporation for the year ended December 31, 2001, and for the Oregon Health and Science University for the year ended June 30, 2002 (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Discretely presented component units:					
Bonds/certificates payable:					
Revenue bonds	\$ 302,770	\$ 13,750	\$ 8,740	\$ 307,780	\$ 8,125
Less deferred amounts:					
For issuance discounts	(4,124)	-	(231)	(3,893)	-
For accredited interest.....	<u>9,544</u>	<u>2,076</u>	-	<u>11,620</u>	-
Total bonds/certificates payable..	<u>308,190</u>	<u>15,826</u>	<u>8,509</u>	<u>315,507</u>	<u>8,125</u>
Other liabilities:					
Obligations under capital lease.....	6,233	-	519	5,714	487
Claims and judgments.....	2,107,569	359,333	323,165	2,143,737	-
Compensated absences	27,593	29,991	27,593	29,991	29,991
Contracts, mortgages and notes.....	<u>62,531</u>	<u>12,020</u>	-	<u>74,551</u>	-
Total other liabilities.....	<u>2,203,926</u>	<u>401,344</u>	<u>351,277</u>	<u>2,253,993</u>	<u>30,478</u>
Total discretely presented component units long-term liabilities	<u>\$ 2,512,116</u>	<u>\$ 417,170</u>	<u>\$ 359,786</u>	<u>\$ 2,569,500</u>	<u>\$ 38,603</u>

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E. Interest Included as Direct Expense. Interest expense of \$238.0 million on long-term debt has been included in the direct expenses of individual functions on the government-wide statement of activities. Authorization for general long-term debt is specific to a particular purpose; thus, an objective connection can be made to a specific program. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related. Financial resources from long-term debt issuance in the State are not fungible.

F. Demand Bonds. Included in long-term debt at June 30, 2002, is \$370.0 million of State of Oregon, General Obligation, Veterans' Welfare Variable Rate Demand Bonds, Series 73 E, F, G, and H. The bonds are general obligations of the State and are payable from revenues and reserves of the Veterans' Loan Program. The bondholder may tender these bonds on specified dates at a price equal to principal plus accrued interest.

The Department of Veterans' Affairs Remarketing Agents (J.P. Morgan Securities Inc. and Morgan Stanley Dean Witter) are authorized to use their best efforts to sell the repurchased bonds at face value by adjusting the interest rate on a weekly basis. The designated Remarketing Agent for such bonds will determine the interest rate borne by each series of bonds.

In the event the bonds cannot be remarketed, they will be purchased as specified by the Standby Bond Purchase Agreement (SBPA). Under the SBPA, JP Morgan Chase Bank will commit to purchase any Series 73 E and G unremarketed bonds, and Bayerische Landesbank Girozentrale will commit to purchase any Series 73 F and H unremarketed bonds, in each case subject to certain conditions set forth in the SBPA.

No tender advances or draws have been necessary to purchase any unremarketed bonds under the SBPA. Therefore, no tender advances or draws are outstanding as of June 30, 2002. If a tender advance did occur, it would accrue interest at the bank's base rate (either a prime lending rate or the federal funds rate plus $\frac{1}{2}$ of 1 percent, whichever is higher). If the tender advance is in default, interest would accrue at the bank's base rate plus 1 percent. Interest on tender advances must generally be repaid first before the principal portion of a tender advance is repaid. In most cases, tender advances are required to be paid off in approximately two years. Tender advances could be paid off earlier than two years if the Department of Veterans' Affairs elected to do so. If repayment of any tender advances does not occur within the specified timeframes contained in the SBPA, a default would have occurred.

Each bank's present purchase commitment consists of the payment of the purchase price equal to the principal of and up to 40 days' of accrued interest calculated at a rate of 14 percent per annum, if any, on the bonds of the applicable series tendered for purchase and not remarketed on the purchase date. The purchase commitment of each bank may be reduced from time to time upon occurrence of certain events specified in the SBPA. As of June 30, 2002, the Department of Veterans' Affairs is required to pay a yearly commitment fee, which is payable quarterly in arrears, at a rate of .125 percent per annum, applied to the purchase commitment.

The present purchase commitments by the banks will remain in effect to the earlier of (a) June 24, 2003 (scheduled expiration date), unless extended at the option of the bank; (b) the conversion of all outstanding bonds of a given series to either a variable rate or a fixed (or term) rate; (c) the date on which no bonds of a given series are outstanding; (d) the date on which the commitment with respect to a particular series has been terminated in accordance with the SBPA.

G. No-Commitment Debt. No-commitment debt refers to debt issued to finance public purpose expenditures intended for beneficial ownership by private entities. Such debt bears the name of the State but is secured solely by the credit of the private entity and usually is serviced and administered by a trustee independent of the State. The State has no obligation for payment of this debt. Accordingly, this debt is not reported in the accompanying financial statements.

State of Oregon
Notes to the Financial Statements

The following schedule shows no-commitment debt as of June 30, 2002 (in thousands):

Economic and Community Development Department.....	\$ 706,300
Housing and Community Services Department	18,625
Oregon Facilities Authority	<u>533,776</u>
 Total No-Commitment Debt	 <u>\$ 1,258,701</u>

H. Debt Refundings. Occasionally, the State issues new bonds to extinguish the debt of previously issued bonds in order to take advantage of lower interest rates. In instances of advanced refunding, the money from the sale of these bonds is placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The amount of these issues has provided funds to pay the interest and principal when due on the refunded bonds to and including the dates irrevocably fixed for redemption and to pay the principal amounts of the old bonds to be redeemed on such irrevocable redemption dates. The trust account assets and liabilities for the defeased bonds are not included in the accompanying financial statements.

The following provides a brief description of the current/advance refunding issues that occurred between July 1, 2001, and June 30, 2002:

Governmental Activities

Department of Administrative Services

On June 3, 2002, the Department of Administrative Services issued \$32.9 million in 2002 Series A Certificates of Participation with an average interest rate of 4.9 percent. These certificates were issued to advance refund \$33.4 million of outstanding 1992 Series A and Series B Certificates of Participation with an average interest rate of 6.1 percent. The refunding was undertaken to reduce the total debt service payments over the next 14 years by \$3.1 million and results in an economic gain of \$3.0 million.

Department of Corrections

On March 1, 2002, the Department of Corrections issued \$26.0 million in 2002 Series B Certificates of Participation with an average interest rate of 4.4 percent. These certificates were issued to advance refund \$25.5 million of outstanding 1996 Series C Certificates of Participation with an average interest rate of 5.3 percent. The refunding was undertaken to reduce the total debt service payments over the next 18 years by \$872.8 thousand and results in an economic gain of \$878.0 thousand.

Department of Corrections

On March 1, 2002, the Department of Corrections issued \$29.7 million in 2002 Series B Certificates of Participation with an average interest rate of 4.4 percent. These certificates were issued to advance refund \$29.2 million of outstanding 1996 Series A Certificates of Participation with an average interest rate of 5.1 percent. The refunding was undertaken to reduce the total debt service payments over the next 18 years by \$904.8 thousand and results in an economic gain of \$898.7 thousand.

Oregon Youth Authority

On March 1, 2002, the Oregon Youth Authority issued \$22.4 million in 2002 Series B Certificates of Participation with an average interest rate of 4.4 percent. These certificates were issued to advance refund \$22.4 million of outstanding 1996 Series A Certificates of Participation with an average interest rate of 5.1 percent. The refunding was undertaken to reduce the total debt service payments over the next 10 years by \$731.6 thousand and results in an economic gain of \$729.5 thousand.

State of Oregon
Notes to the Financial Statements

Department of Administrative Services

On March 1, 2002, the Department of Administrative Services issued \$3.0 million in 2002 Series C Certificates of Participation with an average interest rate of 4.7 percent. These certificates were issued to advance refund \$2.9 million of outstanding 1996 Series B Certificates of Participation with an average interest rate of 5.1 percent. The refunding was undertaken to reduce the total debt service payments over the next 19 years by \$89.2 thousand and results in an economic gain of \$78.8 thousand.

Department of Corrections

On March 1, 2002, the Department of Corrections issued \$132.7 million in 2002 Series C Certificates of Participation with an average interest rate of 4.7 percent. These certificates were issued to advance refund \$130.4 million of outstanding 1995 Series A Certificates of Participation with an average interest rate of 5.3 percent. The refunding was undertaken to reduce the total debt service payments over the next 18 years by \$2.9 million and results in an economic gain of \$4.0 million.

Department of Corrections

On March 1, 2002, the Department of Corrections issued \$10.5 million in 2002 Series C Certificates of Participation with an average interest rate of 4.7 percent. These certificates were issued to advance refund \$10.1 million of outstanding 1996 Series B Certificates of Participation with an average interest rate of 5.2 percent. The refunding was undertaken to reduce the total debt service payments over the next 18 years by \$296.2 thousand and results in an economic gain of \$332.8 thousand.

Department of Corrections

On March 1, 2002, the Department of Corrections issued \$39.1 million in 2002 Series C Certificates of Participation with an average interest rate of 4.7 percent. These certificates were issued to advance refund \$36.5 million of outstanding 2000 Series A Certificates of Participation with an average interest rate of 5.3 percent. The refunding was undertaken to reduce the total debt service payments over the next 17 years by \$2.1 million and results in an economic gain of \$959.0 thousand.

Business-type Activities

Department of Veterans' Affairs

On September 25, 2001, the Department of Veterans' Affairs issued \$60.2 million in Series 81 General Obligation Bonds with an average interest rate of 5.2 percent. These bonds were issued to refund \$60.0 million of outstanding Series 60, 62, and 64 bonds as well as a taxable line of credit with an average interest rate of 6.4 percent. The current refunding was undertaken to reduce the total debt service payments over the next 40 years by \$96.8 million and resulted in an economic gain of \$1.8 million.

Department of Veterans' Affairs

On June 19, 2002, the Department of Veterans' Affairs issued \$60.0 million in Series 82 General Obligation Bonds with an average interest rate of 5.5 percent. These bonds were issued to refund \$60.0 million of outstanding Series 59, 61, and 63 bonds as well as a taxable line of credit with an average interest rate of 5.3 percent. The current refunding was undertaken to reduce the total debt service payments over the next 40 years by \$102.7 million and resulted in an economic gain of \$276.8 thousand.

State of Oregon
Notes to the Financial Statements

Oregon University System

On December 4, 2001, the Oregon University System issued \$28.9 million in 2001 Series A General Obligation Bonds with an average interest rate of 4.7 percent. These bonds were issued to refund \$24.5 million of outstanding Series 1990A, 1990B, and 1991 bonds with an average interest rate of 6.9 percent. The current refunding was undertaken to reduce the total debt service payments over the next 17 years by \$7.7 million and resulted in an economic gain of \$5.0 million.

Housing and Community Services Department

On August 29, 2001, the Housing and Community Services Department issued \$31.3 million of Elderly and Disabled Housing Bonds that refunded \$31.3 million of previously issued Elderly and Disabled Housing Bonds from various series. The current refunding was undertaken to reduce the total debt service payments over the next 29 years by \$9.9 million and resulted in an economic gain of \$5.7 million.

Office of Energy

On May 15, 2002, the Office of Energy issued \$11.0 million of 2002 Series A General Obligation Alternate Energy Refunding Bonds with an average interest rate of 3.8 percent. The bonds, plus \$400,000 of bond reserve funds, will be used to refund \$11.4 million of outstanding 1993 Series A bonds with an average interest rate of 5.0 percent. The current refunding was undertaken to reduce the total debt service payments over the next 11 years by \$446.1 thousand and resulted in an economic gain of \$496.5 thousand.

Pension Trust Fund

Public Employees Retirement System

On March 1, 2002, the Public Employees Retirement System issued \$6.1 million in 2002 Series B Certificates of Participation with an average interest rate of 4.4 percent. These certificates were issued to advance refund \$6.0 million of outstanding 1996 Series A Certificates of Participation with an average interest rate of 5.5 percent. The refunding was undertaken to reduce the total debt service payments over the next 15 years by \$188.4 thousand and results in an economic gain of \$187.9 thousand.

I. Defeased Debt. The following schedule summarizes the amount of bonds and certificates of participation outstanding that are considered defeased as of June 30, 2002 (in thousands):

Governmental Activities

Department of Administrative Services.....	\$ 43,415
Department of Corrections.....	392,030
Oregon Youth Authority.....	20,030
Department of Transportation.....	8,845
Total Governmental Activities.....	464,320

Business-type Activities

Economic and Community Development Department.....	6,020
Oregon University System.....	78,694
Water Resources Department.....	11,560
Total Business-type Activities	96,274

Pension Trust Fund

Public Employees Retirement System	5,725
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State of Oregon
Notes to the Financial Statements

Discretely Presented Component Unit

Oregon Health and Science University..... 10,425

Total Defeased Bonds and Certificates of Participation \$ 576,744

J. Arbitrage Rebate Liability. The Tax Reform Act of 1986 placed restrictions on the nonpurpose investment earnings from the proceeds of qualified tax-exempt bonds issued after August 15, 1986. Specifically, the nonpurpose investment earnings on these bonds are limited to the yield on each individual bond issue (based on the initial offering price to the public). Nonpurpose investment earnings in excess of the bond yield limitations are subject to rebate to the federal government.

The following schedule identifies outstanding arbitrage rebate liabilities as of June 30, 2002 (in thousands):

Governmental Activities

Department of Administrative Services.....	\$ 428
Economic and Community Development Department.....	307
Military Department	29
Department of Corrections.....	1,778
Department of Environmental Quality	1,235
Department of Human Services	13
Oregon Youth Authority.....	181
Department of Employment.....	4
Department of Education.....	738
Department of Forestry.....	158
Parks and Recreation Department.....	5
Department of Fish and Wildlife	15
Department of Transportation.....	198
Total Governmental Activities.....	<u>5,089</u>

Business-type Activities

Department of Veterans' Affairs.....	506
Office of Energy	220
Oregon University System.....	847
State Fair and Expo Center	82
Housing and Community Services Department.....	4,723
Total Business-type Activities	<u>6,378</u>
Total Arbitrage Rebate Liability	<u>\$ 11,467</u>

10. INTERFUND TRANSACTIONS

The following schedule summarizes due to and from other funds as well as advances to and from other funds as of June 30, 2002 (in thousands):

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
Governmental Funds				
General	\$ 49,396	\$ 373,904	\$ 60,458	\$ 3,450
Health and Social Services	153,551	28,047	526	10,004
Public Transportation	62,438	74,243	-	3,166
Environmental Management	72,978	23,979	-	332
Nonmajor Governmental Funds	426,439	141,720	16	52,910
Total Governmental Funds	<u>764,802</u>	<u>641,893</u>	<u>61,000</u>	<u>69,862</u>

State of Oregon
Notes to the Financial Statements

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
<u>Proprietary Funds</u>				
Housing and Community Services	3,095	6,026	-	-
Veterans' Loan	27	-	-	-
Lottery Operations	-	115,775	-	-
Unemployment Compensation	638	640	1,108	-
University System	783	-	-	14,533
Nonmajor Enterprise Funds	6,254	10,297	25,525	3,386
Internal Service Funds	395	1,444	834	1,110
Total Proprietary Funds	<u>11,192</u>	<u>134,182</u>	<u>27,467</u>	<u>19,029</u>
<u>Fiduciary Funds</u>				
Pension Trust	2,471	2,471	-	-
Private Purpose Trust	811	730	424	-
Total Fiduciary Funds	<u>3,282</u>	<u>3,201</u>	<u>424</u>	<u>-</u>
Total Reporting Entity	<u>\$ 779,276</u>	<u>\$ 779,276</u>	<u>\$ 88,891</u>	<u>\$ 88,891</u>

The following schedule summarizes transfers for the year ended June 30, 2002 (in thousands):

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
<i>Primary Government</i>		
<u>Governmental Funds</u>		
General	\$ 368,467	\$ 629,564
Health and Social Services	715,869	946,601
Public Transportation	673,008	718,259
Environmental Management	210,057	154,448
Nonmajor Governmental Funds	<u>1,333,133</u>	<u>989,743</u>
Total Governmental Funds	<u>3,300,534</u>	<u>3,438,615</u>
<u>Proprietary Funds</u>		
Housing and Community Services	19,215	22,758
Lottery Operations	-	366,034
Unemployment Compensation	3,446,704	3,449,976
University System	403,674	-
Nonmajor Enterprise Funds	164,822	134,713
Internal Service Funds	303,474	334,986
Total Proprietary Funds	<u>4,337,889</u>	<u>4,308,467</u>
<u>Fiduciary Funds</u>		
Private Purpose Trust	15,272	8,293
Total Fiduciary Funds	<u>15,272</u>	<u>8,293</u>
Total Primary Government	<u>7,653,695</u>	<u>7,755,375</u>

Discretely Presented Component Units

Oregon Health and Science University	53,509	-
Total Component Units	<u>53,509</u>	<u>-</u>
Total Reporting Entity	<u>\$ 7,707,204</u>	<u>\$ 7,755,375</u>

State of Oregon
Notes to the Financial Statements

Transfers out exceed transfers in by \$48.2 million. Transfers from the Business Development Fund in the amount of \$48.0 million are reported in the permanent funds as contributions to permanent funds rather than as transfers from other funds. Net transfers of capital assets totaling \$0.2 million are recorded as transfers from internal service funds to the general government.

11. SEGMENT INFORMATION

The Oregon State Fair and Exposition Center (OSFEC) issued revenue bonds to finance certain capital construction and renovation projects prior to the 1987 Oregon State Fair. These bonds were refinanced in August 1996 in order to obtain a lower interest rate for the years remaining on the issue. The OSFEC bonds are secured by revenues from activities conducted at the OSFEC.

Bonds issued pursuant to the bond indenture for the Special Public Works Program and the Water Program are referred to as the Oregon Bond Bank. Sections 285B.467 through 285B.479 of the Oregon Revised Statutes (ORS) authorize the Oregon Economic and Community Development Department (OECDD) to issue revenue bonds to finance loans to municipalities for infrastructure projects. ORS 285B.572 through 285B.578 authorize OECDD to finance loans to municipalities for safe drinking water projects and waste water system improvement projects. With the exception of loans to Douglas and Washington counties made prior to October 23, 1999, each borrower has covenanted to make payments from its general fund and has pledged its full faith and credit subject to the limitations of Article XI of the Oregon Constitution. For the loans made to counties prior to October 23, 1999, the obligations are subject to annual appropriation by the governing bodies of the counties. State statutes permit OECDD to request the State to withhold any amounts otherwise due to the municipality from the State and to pay such amounts to OECDD in the event that a municipality defaults on the payments.

Summary financial information for the Oregon State Fair and Exposition Center and the Oregon Bond Bank for the year ended June 30, 2002 (in thousands) is presented below:

Condensed Balance Sheet	Oregon	
	OSFEC	Bond Bank
Assets:		
Current assets – restricted	\$ 12	\$ -
Due from other funds	1,046	-
Other current assets	2,019	42,032
Noncurrent assets – restricted	6,826	75,556
Advances to other funds	-	100
Capital assets	25,080	-
Accumulated depreciation	(11,988)	-
Other noncurrent assets	202	189,182
Total assets	<u>23,197</u>	<u>306,870</u>
Liabilities:		
Current liabilities	1,517	14,799
Advances from other funds	76	-
Other noncurrent liabilities	14,191	152,201
Total liabilities	<u>15,784</u>	<u>167,000</u>
Capital assets net of related debt	7,562	-
Net assets (unrestricted)	(149)	139,870
Total net assets	7,413	139,870
Total liabilities and net assets	<u>\$ 23,197</u>	<u>\$ 306,870</u>

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets

	OSFEC	Oregon
		Bond Bank
Loan interest income	\$ -	\$ 11,401
Other operating revenue	6,198	1,196
Depreciation and amortization	(539)	-

State of Oregon
Notes to the Financial Statements

Other operating expenses	(7,644)	(17,342)
Operating income (loss)	<u>(1,985)</u>	<u>(4,745)</u>
Transfers from other funds	1,763	31,013
Transfers to other funds	-	(5,728)
Change in net assets	(222)	20,540
Beginning net assets (as restated)	7,635	119,330
Ending net assets	<u>\$ 7,413</u>	<u>\$ 139,870</u>

Condensed Statement of Cash Flows

Net cash provided (used) by:

	OSFEC	Oregon Bond Bank
Operating activities	\$ (1,537)	\$ (27,902)
Noncapital financing activities	2,475	16,727
Capital and related financing activities	(4,472)	-
Investing activities	137	7,331
Net increase (decrease)	<u>(3,397)</u>	<u>(3,844)</u>
Beginning cash and cash equivalents	10,744	110,218
Ending cash and cash equivalents	<u>\$ 7,347</u>	<u>\$ 106,374</u>

12. EMPLOYEE RETIREMENT PLANS

A. Plan Descriptions. The Public Employees Retirement System (PERS) is a defined benefit retirement plan for units of State government, school districts, community colleges, and political subdivisions of the State. PERS is administered by the Public Employees Retirement Board (Board) under the guidelines of Chapter 238 of the Oregon Revised Statutes, and it provides retirement benefits and cost-of-living adjustments as well as disability, postemployment healthcare, and death benefits to plan members and beneficiaries.

PERS is a single pension plan that features both a cost-sharing multiple-employer pension plan and an agent multiple-employer pension plan. All plan assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of the plan. Participation in the PERS cost-sharing multiple-employer plan is mandatory for units of State government, community colleges, and school districts. For political subdivisions of the State, PERS is an agent multiple-employer plan. Participation by most political subdivisions is optional, but irrevocable if elected. The State has no obligation to contribute, and it does not contribute, to the agent multiple-employer pension plan. At June 30, 2002, PERS had 861 employer members consisting of:

State Agencies	125
Community Colleges	17
School Districts.....	227
Political Subdivisions.....	492
	<u>861</u>

The PERS defined benefit retirement plan is reported in a pension trust fund of the State primary government. PERS issues a separate, publicly available financial report that includes audited financial statements and required supplementary information. That report may be obtained by writing to the Fiscal Services Division, Public Employees Retirement System, 11410 SW 68th Parkway, Tigard, Oregon 97223.

Effective July 1, 1996, the Oregon Health and Science University (OHSU) established the University Pension Plan (UPP). The UPP is a defined contribution plan that is available to employees as an alternative to PERS. Employees become fully vested in employer contributions over a four-year period.

State of Oregon
Notes to the Financial Statements

The 1995 Oregon Legislature enacted legislation authorizing the Oregon University System (OUS) to offer a defined contribution retirement plan as an alternative to PERS. Beginning April 1, 1996, the Optional Retirement Plan (ORP) became available to OUS unclassified faculty and staff who were eligible for PERS. In addition to PERS and ORP, the OUS offers a variety of retirement options including the Teacher's Insurance and Annuity Association and College Retirement Equities Fund, the Federal Civil Service Retirement System, and the Federal Employees Retirement System.

B. Summary of Significant Accounting Policies. The financial statements of PERS are prepared using the accrual basis of accounting. Plan member contributions and employer member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at fair value. Open-end mutual funds, debt securities, equity securities, option contracts, stock warrants, and stock rights are valued at the last reported sales price if an active market for the investment exists. For investments that do not have an active market, fair value is estimated based on markets for similar investments. If no market information is available, a forecast of expected cash flows, discounted at a rate commensurate with the expected risk involved, is used to estimate fair value.

C. Funding Policies. The PERS funding policy provides for plan contributions to accumulate sufficient assets to pay retirement benefits when due. Plan member contributions are established by State statute; the Board, based on the required actuarially determined rate, establishes State employer contributions. The following schedule summarizes the required State employee contributions and the required State employer contributions, shown as a percentage of covered salary, for the PERS multiple-employer plans, as of June 30, 2002:

	<u>Employee</u>	<u>Employer</u>
State Agencies and Community Colleges	6.0%	9.49%
Judiciary	7.0%	10.79%
School Districts.....	6.0%	12.73%
Political Subdivisions	6.0%	9.77%

The State employer contributions to PERS for the years ended June 30, 2002, 2001, and 2000 were approximately \$189.4 million, \$193.4 million, and \$183.3 million respectively, and were equal to the required contributions for each year.

The OHSU Board of Directors determines contribution levels for the UPP. Employer contributions to the plan are 6.0% of salary and employee contributions are an additional 6.0%. Currently OHSU is funding employee contributions. The OHSU employer contributions to the UPP for the years ended June 30, 2002, 2001, and 2000 were approximately \$5.0 million, \$3.8 million, and \$3.0 million respectively, and were equal to the employee contributions for each year.

Under the ORP Tier One and Tier Two, the employee contribution rate is 6.0% and is paid by OUS. The employer contribution rate for the ORP Tier One and Tier Two is 9.49% and 8.5%, respectively. The OUS employer contribution to the ORP for the years ended June 30, 2002, 2001, and 2000 were approximately \$10.8 million, \$9.4 million, and \$8.4 million respectively. The OUS employee contribution to the ORP for the years ended June 30, 2002, 2001, and 2000 was approximately \$6.8 million, \$6.2 million, and \$5.4 million respectively.

13. OTHER POSTEMPLOYMENT BENEFITS

Under Oregon Revised Statute 238.410, the Public Employees Retirement Board (Board), acting through the Public Employees Retirement System (PERS) may contract for medical and hospital insurance on behalf of retired members. Members and their dependents are eligible for PERS health care coverage if the member is receiving a retirement allowance or benefit under the PERS. A surviving spouse or dependent of a PERS

State of Oregon
Notes to the Financial Statements

retiree is eligible to participate if the surviving spouse or dependent was covered under the health plan at the time of the retiree's death.

Oregon Revised Statute 238.420 established the Retirement Health Insurance Account (RHIA) and authorized the payment of up to \$60 toward the monthly cost of health insurance for eligible PERS members. To qualify, the member must: (1) have eight years or more qualifying service in the PERS system at the time of retirement, or receive a disability allowance as if the member had eight years or more of creditable service in the PERS system, (2) receive both Medicare parts A and B coverage, and (3) enroll in a PERS-sponsored health plan.

A surviving spouse or dependent of a deceased PERS retiree who had been eligible to receive the contribution is eligible to receive the subsidy if the individual is receiving a retirement benefit or allowance from PERS, or the individual was insured at the time the member died and the member retired before May 1, 1991.

All PERS employers currently contribute 0.64 percent of covered payroll to fund the RHIA. This contribution is included in the employer contribution rates discussed in Note 12. The employer contribution rate covers the normal cost payment and an amount to amortize the unfunded actuarial accrued liability over a period commencing on the actuarial valuation date and ending on December 31, 2027.

Employers' contributions are advance-funded on an actuarially determined basis. The employers' aggregate actual contribution for the year ended June 30, 2002, totaled approximately \$40.2 million. The number of active plan RHIA participants totaled 33,024 for the year ended June 30, 2002.

Oregon Revised Statute 238.415 established the Retirement Health Insurance Premium Account (RHIPA) and requires the Board on or before January 1 of each year to calculate the average difference between the health insurance premiums paid by retired State employees under contracts entered into by the Board and health insurance premiums paid by State employees who are not retired. ORS 238.415 authorizes payment of this average difference to qualified retired State employees. Retired State employees are qualified to receive this benefit if they had eight or more years of qualifying service in PERS at the time of retirement or are receiving a disability pension calculated as if they had eight or more years of qualifying service, but are not eligible for federal Medicare coverage.

A surviving spouse or dependent of a deceased retired State employee is eligible to receive the subsidy if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time the member died and the member retired on or after September 29, 1991.

For State agencies, the actuarial valuation as of December 31, 1999, includes 0.09 percent of PERS covered salaries to fund the RHIPA. This rate went into effect July 1, 2001. The number of active plan RHIPA participants totaled 761 for the year ended June 30, 2002. State employer contributions for the year ended June 30, 2002, totaled approximately \$1.4 million.

The postemployment retirement health care benefit obligation, including both RHIA and RHIPA, was determined as part of the actuarial valuation prepared by the PERS consulting actuary at December 31, 1999. Significant assumptions used in the actuarial update include: a rate of return on the investment of present and future assets of 8.0 percent per annum, projected salary increases, and a health cost inflation adjustment. However, there is no inflation assumption for RHIA postemployment benefits because the payment amount is set by statute and is not adjusted for increases in health care costs.

14. DEFERRED COMPENSATION PLANS

A. Deferred Compensation Fund. ORS 243.411 established the Deferred Compensation Fund. ORS 243.400 to 243.507 established and provided for PERS to administer the Deferred Compensation funds with the Oregon Savings Growth Plan (State Plan). The State Plan is a benefit available to eligible State

State of Oregon
Notes to the Financial Statements

employees. To participate, an employee enters into an individual agreement with the State deferring current earnings to be paid at a future date. The Board, as trustee of the assets, contracts with Citistreet, a joint venture between Citigroup and State Street Bank and Trust Company, to maintain participant records. The Oregon State Treasury, as custodian of the assets, also contracts with State Street Bank and Trust Company to provide financial services. Activity of the State Plan is accounted for in a pension trust fund. As of June 30, 2002, the fair value of investments was \$545.1 million.

B. SAIF Corporation Deferred Compensation Plan. SAIF Corporation administers a deferred compensation plan that is available to SAIF employees (SAIF Plan). Employees may enter into an individual agreement with SAIF Corporation deferring current earnings to be paid at a future date. The SAIF Plan assets are held in a custodial account or an annuity contract by the plan provider for the exclusive benefit of the participants or their beneficiaries. The plan is administered in compliance with Internal Revenue Code Section 457(g). The plan assets and the corresponding liability are not reported in the SAIF Corporation balance sheet at December 31, 2001.

Participants in both the State Plan and the SAIF Plan are not required to pay federal or State income taxes on the deferred earnings until those earnings are received. Participants or their beneficiaries cannot receive the funds until at least one of the following circumstances is met: termination by reason of death; disability; resignation; retirement; unforeseeable emergency; or by requesting a de minimis distribution from inactive accounts valued less than \$5,000. Payments to participants may be made over a period not to exceed the life expectancy of the participant and/or alternate payee. Employees of education institutions may participate in both the State Plan and 403(b) tax-deferred annuity programs.

The State and SAIF Corporation have no liability for losses under these deferred compensation plans, but they do have the duty of due care that would be required of an ordinary prudent investor.

15. RISK FINANCING

A. Property, Liability, and Workers' Compensation Coverages for State Government. The Risk Management Division of the Department of Administrative Services administers the State's property and liability insurance programs. The division believes it is economical to manage the State's risks internally. The division minimizes purchases of commercial insurance for most risks of loss. The division sets aside assets for actuarially forecasted losses in the Insurance Fund. It is an internal service fund established under Chapter 278 of the Oregon Revised Statutes. The Insurance Fund services claims for these risks:

- Direct physical loss or damage to State property
- Tort liability claims brought against the State, its officers, employees, or agents
- Inmate injury
- Workers' compensation
- Employee dishonesty
- Faithful performance bonds for key positions as required by law and additional positions as determined by agency policy

The fund is backed by commercial policies, an excess property policy with a limit of \$400 million and a blanket commercial excess bond with a limit of \$20 million. The division purchases commercial insurance for specific insurance needs not covered by the fund. The amount of claim settlements did not exceed insurance coverages for each of the past three fiscal years.

All State agencies, commissions and boards participate in the fund. The division allocates the cost of servicing insurance claims and payments by charging an assessment to each State entity, based on its share of losses. Statewide risk charges are based on independent biennial actuarial forecasts and division expenses, less any available fund balance from the prior biennium.

State of Oregon
Notes to the Financial Statements

The division purchases workers' compensation insurance for the State from SAIF Corporation. The Insurance Fund reimburses SAIF Corporation for claim costs and service fees. The division purchased retrospective self-insurance plans for fiscal years 1997 through 2002 that have cash flow and investment earnings advantages. The plans are ten years in length. The accumulated claim loss liability for the plans was approximately \$26 million as of June 30, 2002. Independent actuaries determine biennial loss forecasts.

The division reevaluates claim liabilities periodically, considering recently settled claims, the frequency of claims, and other economic and social factors. Liabilities include an amount for claims and legal expenses that have been incurred but not reported. The estimation process is not exact since actual claim liabilities depend on inflation and changes in legal doctrines and damage awards. The division discounts claim liabilities at four to seven percent. Contracted actuaries estimate claims and allocated and unallocated expenses, including legal expenses, which are incurred but not reported. They use the last 10 to 15 years of State claims data and the projected numbers of employees, payroll, vehicles, and other property. They forecast ultimate losses by line of coverage.

The changes in the Insurance Fund balances of aggregate claim liabilities for the years ended June 30, 2002 and 2001 (in thousands) are:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Increase in Claims or Estimate</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2002.....	\$ 53,814	\$ 37,667	\$ (26,861)	\$ 64,620
2001.....	60,487	14,508	(21,181)	53,814

The June 30, 2002 balance of claim liabilities is reported as claims and judgments payable in the Central Services Fund.

B. SAIF Corporation Workers' Compensation Insurance. The Legislature created SAIF Corporation to transact workers' compensation insurance and reinsurance business. SAIF Corporation is an independent public corporation, a component unit of the State, and the largest workers' compensation insurer in the State.

The financial activity for SAIF Corporation is discretely presented in the financial statements. The liability for claims and claim adjustment expenses is generally based on experience. This includes provision for reported claims, claims incurred but not reported, and claims that are currently closed but which experience indicates will be reopened.

SAIF Corporation discounts certain indemnity claim reserves to their present value at a rate of 3.5 percent. The total discount reflected in the claim reserves as of December 31, 2001, was \$91.9 million.

C. Supplemental Workers' Compensation Insurance. The Department of Consumer and Business Services operates several supplemental workers' compensation benefit programs. These are accounted for as special revenue funds. The primary program is the Retroactive Program, established by Oregon Revised Statute 656.506. It provides increased insurance benefits to claimants or their beneficiaries when current payment requirements exceed benefits in effect at the time of injury.

The Department of Consumer and Business Services determines the funding of supplemental workers' compensation insurance programs through cash flow projections. They use historical data and economic forecasts. Employer work hour assessments, contributions by employees, workers' compensation insurance premium assessments, investment, and interest earnings pay for the programs.

Long-term liabilities were actuarially computed as of June 30, 2002, using the discounted cost valuation method. These liabilities are reported as part of claims and judgments payable in the government-wide Statement of Net Assets.

State of Oregon
Notes to the Financial Statements

16. DISCOUNTS AND ALLOWANCES IN PROPRIETARY FUNDS

Proprietary fund revenues, including discretely presented component units, are reported net of discounts and allowances in the accompanying financial statements. The following schedule summarizes discounts and allowances in proprietary funds for the year ended June 30, 2002 (in thousands):

Primary Government

<u>Proprietary Funds</u>	<u>Type of Revenue</u>	<u>Amount</u>
Lottery Operations	Sales	\$ 1,478
Unemployment Compensation	Assessments	1,501
Unemployment Compensation	Fines and Forfeitures	1,991
University System	Charges for Services	24,292
Nonmajor Enterprise Funds	Charges for Services	57,488
Nonmajor Enterprise Funds	Sales	55
Nonmajor Enterprise Funds	Other	3
Internal Service Funds	Other	533
Total Primary Government		<u>\$ 87,341</u>

Discretely Presented Component Units

<u>Component Units</u>	<u>Type of Revenue</u>	<u>Amount</u>
SAIF Corporation	Charges for Services	\$ 1,582
SAIF Corporation	Other	979
Oregon Health and Science University	Charges for Services	286,275
Oregon Health and Science University	Gifts, Grants and Contracts	1,669
Total Component Units		<u>\$290,505</u>

17. PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments over \$5 million are included in total prior period adjustments in the accompanying financial statements:

Primary Government. Prior period adjustments of \$63.2 million were made to correct balances of capital assets that were incorrectly reported in prior years. An adjustment of \$90.2 million was made to adjust receivables from prior years deemed uncollectible. An adjustment of \$86.6 million was made to adjust timber contract receivables.

Governmental Funds

General Fund. Prior period adjustments of \$18.6 million were made in the General Fund to correct errors identified in a review of consumable inventory.

Health and Social Services Fund. An adjustment of \$6.0 million was made to correct errors identified in a review of consumable inventory. An adjustment of \$5.1 million was made to correct deferred revenue from prior years. Adjustments totaling \$103.5 million were made to correct errors in accruals of federal revenues. An adjustment of \$155.3 million was made to correct prior year accruals of revenue from donations and grants.

Public Transportation Fund. An \$8.4 million adjustment was made to adjust fuel inventories.

Environmental Management Fund. Adjustments of \$6.3 million were made to correct errors in the accrual of timber sale revenue.

State of Oregon
Notes to the Financial Statements

Proprietary Funds

Veterans' Loan Fund. An adjustment of \$42.4 million was made to record cash held by an insurance carrier.

18. SPECIAL ITEMS

Special items of approximately \$43.5 million are reported for the Oregon Health and Science University (OHSU) component unit in the accompanying financial statements. Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. The special items for OHSU resulted from a merger with the School of Science and Engineering, formerly Oregon Graduate Institute, which increased the net assets of OHSU.

19. COMMITMENTS

The State has made commitments that are to be funded with general funds, federal funds, lottery funds, or other fund resources. These commitments may take the form of grants, loans, or contracts for services. Commitments in effect as of June 30, 2002, and the anticipated sources of funding, are summarized in the following table (in thousands):

Purpose	General Funds	Federal Funds	Lottery Funds	Other Funds	Total
Community services contracts	\$249,081	\$271,610	\$ 2,409	\$ 17,792	\$ 540,892
Indigent defense contracts	56,279	-	-	-	56,279
Personal services contracts	56,694	10,425	53	12,698	79,870
Grant and loan commitments	111,123	243,888	33,995	203,863	592,869
Total	\$473,177	\$525,923	\$36,457	\$234,353	\$1,269,910

20. CONTINGENCIES

A. Litigation. The State is involved in certain legal proceedings that, if decided against the State, may require significant future expenditures or may impair future revenue sources. A significant legal claim pending against the State involves several trucking associations that have filed a complaint against the Department of Transportation alleging that the State's weight-mile tax system is unconstitutional. Part of the remedy sought is a refund of weight-mile taxes paid since January 1, 2000. It is difficult to predict the outcome of this case. However, the State intends to vigorously defend the suit and believes it has strong arguments to reduce or avoid any liability.

B. Debt Guarantees. Article XI-K of the Oregon Constitution authorizes the State to guarantee the general obligation bonded debt of Oregon school districts, community colleges, and education service districts. The Article authorizes the issuance of state general obligation bonds to satisfy the guarantee. Short-term borrowing from eligible state funds may also satisfy the guarantee. Ultimate responsibility for debt service payments remains the responsibility of the respective district, and the Treasurer will seek recovery if payments are made on behalf of any district. As of June 30, 2002, a total of \$1,070.1 million in bonds was outstanding and guaranteed under these provisions.

State of Oregon
Notes to the Financial Statements

C. Unemployment Benefits. State employees who qualify are entitled to benefit payments during periods of unemployment. Each state agency is required to reimburse the Employment Department for benefit payments made to former employees. There appears to be no practical method of estimating the amount of future benefit payments, which may be made to former employees for wage credits earned prior to fiscal year end. Consequently, this potential obligation is not reported in the accompanying financial statements. Expenditures relating to these benefits for the year ended June 30, 2002, totaled approximately \$9.8 million.

D. Federal Issues. The State has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State. Institutions of higher education and other state agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Certain state agencies may not be in total compliance with these regulations. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements.

The State participates in federal funding related to the Medicare Upper Payment Limit (MUPL) provision of Medicaid. Currently, federal auditors are evaluating the State's compliance with regulations governing MUPL payments. Should they rule unfavorably regarding questioned costs totaling \$244 million, up to \$147 million in federal matching funds may be disallowed.

21. SUBSEQUENT EVENTS

A. Bond Issues. The following schedule summarizes bond issues that have occurred since July 1, 2002 (in thousands):

General Obligation Bonds

Department of Administrative Services.....	\$ 93,610
Housing and Community Services Department	62,340

Revenue Bonds

Department of Administrative Services.....	\$ 45,140
Housing and Community Services Department	292,100
Oregon Economic and Community Development Department.....	28,825

B. Bond Calls. The following schedule summarizes bond calls that have occurred since July 1, 2002 (in thousands):

General Obligation Bonds

Department of Environmental Quality	\$ 430
Oregon Office of Energy	22,890
Oregon Department of Veterans' Affairs.....	18,635

Revenue Bonds

Housing and Community Services Department	\$ 57,635
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State of Oregon
Notes to the Financial Statements

C. Refundings. On October 17, 2002, the Department of Administrative Services sold \$26.5 million of refunding certificates of participation, 2002 Series E. The State will use proceeds of the 2002 Series E to refund all of the State's 1993 Series A and B certificates of participation. In addition, \$3.2 million of the Series E proceeds will be used for fiscal year 2003 remodeling projects.

On August 21, 2002, The Department of Transportation sold \$60.1 million of refunding lottery bonds, Series 2002. The State will use proceeds of the Series 2002 to refund all of the State's outstanding Series 1994 lottery bonds.

On November 6, 2002, the State Board of Higher Education sold \$36.1 million refunding general obligation bonds, 2002 Series A and B. The State will use proceeds of the Series 2002 to refund \$37.8 million of various series.

D. Debt Guarantees. Under Article XI-K of the Oregon Constitution, \$140.1 million in bonds for various school districts were issued and guaranteed following the fiscal year ended June 30, 2002 as noted below (in thousands). Debt service payments remain the ultimate responsibility of the respective district.

Clackamas and Washington County School District No. 3Jt.....	\$ 12,995
Deschutes County School District No. 1 Refunding	10,215
Clatsop County School District No. 1 Refunding.....	16,850
Tillamook County School District No. 9	12,188
Lane County School District No. 52 Refunding	37,265
Lane County School District No. 45J3 Refunding	25,700
Deschutes County School District No. 6.....	5,205
Jefferson County School District No. 509J Refunding	9,040
Lane County School District No. 1 Refunding	7,470
Benton and Polk County School District No. 17J.....	3,145

22. CHANGE IN ACCOUNTING PRINCIPLES

During the fiscal year ended June 30, 2002, the State implemented several new accounting standards issued by the Governmental Accounting Standards Board. Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government: Omnibus*, establishes new financial reporting standards for state and local governments. This statement's requirements represent a significant change in the financial reporting model used by state governments, including statement formats and changes in fund types and account groups. In addition to fund financial statements, governments are required to report government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus. As a result, fund reclassifications and adjustments to the fund equities reported in the prior financial statement balances were required.

Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of Statement No. 34. The State higher education universities, reported in an Enterprise Fund, adopted these requirements.

Statement No. 38, *Certain Financial Statement Note Disclosures*, requires certain note disclosures when Statement No. 34 is implemented. In addition, the State has chosen to early implement paragraph 12 related to short-term debt and paragraph 13 related to disaggregation of receivable and payable balances. Paragraphs 14 and 15 of Statement No. 38 are not required to be and will not be implemented until next fiscal year.

State of Oregon
Notes to the Financial Statements

The provisions of these new standards have been incorporated into the financial statements and notes. The following table summarizes (in thousands) changes to fund equities as previously reported in the Combined Balance Sheet for the fiscal year ended June 30, 2001.

	June 30, 2001		Other	
	As Previously Reported	Fund Reclassifications	GAAP Changes	June 30, 2001 As Restated

Governmental Funds and Activities

Major Funds:

General	\$ 103,740	\$ -	\$ (19,910)	\$ 83,830
Health and Social Services	336,998	170,564	43,386	550,948
Public Transportation	179,890	-	7,873	187,763
Environmental Management	427,758	31,259	(7,951)	451,066
Total Major Funds	<u>1,048,386</u>	<u>201,823</u>	<u>23,398</u>	<u>1,273,607</u>

Nonmajor Funds:

Agricultural Resources	17,738	28	104	17,870
Business Development	69,700	7,998	-	77,698
Community Protection	68,906	20	(772)	68,154
Consumer Protection	76,121	649	(487)	76,283
Educational Support	56,326	10,562	(350)	66,538
Employment Services	245,732	1,432	-	247,164
Nutritional Support	2,976	-	-	2,976
Residential Assistance	104,533	-	2,734	107,267
Other Special Revenue	12,662	41	15	12,718
Revenue Bond	94,661	-	(450)	94,211
Certificates of Participation	571	-	(488)	83
General Obligation Bond	6,463	-	-	6,463
Capital Projects	159,460	-	(237)	159,223
Education Endowment	-	190,569	-	190,569
Housing Guarantee	-	15,500	-	15,500
Other Permanent	-	6,411	-	6,411
Total Nonmajor Funds	<u>915,849</u>	<u>233,210</u>	<u>69</u>	<u>1,149,128</u>

Adoption of GASB Statement No. 34

Capital assets, net of depreciation	-	2,442,277	8,196,606	10,638,883
Long term liabilities	-	(2,446,437)	-	(2,446,437)
Revenue recognition	-	-	742,137	742,137
Internal service fund conversion	-	250,457	246	250,703
Prior period adjustments	-	-	(127,216)	(127,216)
Total Adoption of GASB No. 34	<u>-</u>	<u>246,297</u>	<u>8,811,773</u>	<u>9,058,070</u>

Total Governmental Funds and Activities

	1,964,235	681,330	8,835,240	11,480,805
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Proprietary Funds and Business-type Activities

Major Funds:

Housing and Community Services	153,690	-	153,690
Veterans' Loan	94,931	-	42,436

State of Oregon
Notes to the Financial Statements

Lottery Operations	95,000	-	(70)	94,930
Unemployment Compensation	-	1,937,409	-	1,937,409
University System	-	1,630,303	(988,009)	642,294
Total Major Funds	343,621	3,567,712	(945,643)	2,965,690

Nonmajor Funds:

Energy Loan	14,839	-	-	14,839
Water Resources	1,770	-	-	1,770
Business Development	19,555	-	-	19,555
Special Public Works	82,183	-	(474)	81,709
State Hospitals	12,933	-	58	12,991
Liquor Control	16,955	-	-	16,955
Veterans' Home	11,874	-	40	11,914
Water	37,868	-	(247)	37,621
Other Enterprise	137,816	-	3	137,819
Total Nonmajor Funds	335,793	-	(620)	335,173

Internal Service Funds:

Central Services	227,924	(227,924)	-	-
Legal Services	5,513	(5,513)	-	-
Banking Services	3,146	(3,146)	-	-
Audit Services	953	(953)	-	-
Forestry Services	9,240	(9,240)	-	-
Other Internal Service	3,681	(3,681)	-	-
Total Internal Service Funds	250,457	(250,457)	-	-
Total Proprietary Funds and Business-type Activities	929,871	3,317,255	(946,263)	3,300,863

Fiduciary Funds

Pension Trust Funds:

Public Employees Retirement	37,405,697	-	-	37,405,697
Postemployment Healthcare	101,939	-	-	101,939
Deferred Compensation	-	582,273	-	582,273
Total Pension Trust Funds	37,507,636	582,273	-	38,089,909

Private Purpose Trust Funds:

Common School	-	632,062	2,304	634,366
Other Private Purpose Trust	-	34,218	1,444	35,662
Total Private Purpose Trust Funds	-	666,280	3,748	670,028

Funds previously reported as Nonexpendable Trust Funds:

Common School	631,696	(647,477)	15,781	-
Education Endowment	198,395	(198,395)	-	-
Other Nonexpendable Trust	193,592	(193,592)	-	-
Total Nonexpendable Trust Funds	1,023,683	(1,039,464)	15,781	-

Funds previously reported as Expendable Trust Funds:

Unemployment Insurance	1,665,657	(1,702,554)	36,897	-
Human Services Administration Trust	76	(76)	-	-
Conservatorship Trust	27,649	(27,648)	(1)	-
Deferred Compensation	582,273	(582,273)	-	-

State of Oregon
Notes to the Financial Statements

Other Expendable Trust	268,728	(268,980)	252	-
Total Expendable Trust Funds	<u>2,544,383</u>	<u>(2,581,531)</u>	<u>37,148</u>	-
 <u>Investment Trust Fund</u>	 3,723,447	 -	 -	 3,723,447
 <u>Agency Fund</u>	 -	 -	 -	 -
 Total Fiduciary Funds	 <u>44,799,149</u>	 <u>(2,372,442)</u>	 <u>56,677</u>	 <u>42,483,384</u>
 College and University Funds	 <u>1,630,303</u>	 <u>(1,630,303)</u>	 -	 -
 Account Groups				
General Fixed Assets	2,442,277	(2,442,277)	-	-
General Long-term Debt	<u>(2,446,437)</u>	<u>2,446,437</u>	-	-
 Total Account Groups	 <u>(4,160)</u>	 <u>4,160</u>	 -	 -
 Total Primary Government	 <u>\$ 49,319,398</u>	 <u>\$ -</u>	 <u>\$ 7,945,654</u>	 <u>\$ 57,265,052</u>
 Discretely Presented Component Units				
SAIF Corporation	\$ 466,665	\$ -	\$ -	\$ 466,665
Oregon Health and Science University	796,051	-	-	796,051
Children's Trust Fund of Oregon	5,147	-	-	5,147
 Total Component Units	 <u>\$ 1,267,863</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,267,863</u>



*Required
Supplementary
Information*

Budgeted Appropriated Funds

The State accounts for budgetary activities based on the source of monies used to pay expenditures. Separate appropriated funds are established for each funding source.

General Fund

This fund accounts for expenditures made with general fund revenue. General fund revenue consists largely of personal and corporate income taxes.

Federal Funds

This fund accounts for budgeted expenditures made with federal revenue.

Lottery Funds

This fund accounts for expenditures made with lottery funds. These funds are earned by the State Lottery, and transferred to the Economic Development Fund at the Department of Administrative Services for disbursement to agencies where the funds are expended.

Other Funds

This fund accounts for budgeted expenditures other than those funded by general, federal and lottery funds.

State of Oregon

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis -
All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2003
As of June 30, 2002
(In Thousands)**

	General Fund			
	<u>2001-2003</u>	<u>2001-2003</u>	<u>1st Year Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		<u>Over/ (Under)</u>
Revenues:				
Personal Income Taxes	\$ 9,445,296	\$ 9,445,296	\$ 3,547,569	\$ (5,897,727)
Corporate Income Taxes	859,535	859,535	195,180	(664,355)
Tobacco Taxes	123,754	123,754	60,891	(62,863)
Motor Fuels Taxes	-	-	-	-
Weight-Mile Taxes	-	-	-	-
Employer-Employee Taxes	-	-	-	-
Vehicle Registration Taxes	-	-	-	-
Other Taxes	173,382	173,382	118,121	(55,261)
Licenses and Fees	42,022	42,022	14,557	(27,465)
Federal	-	-	-	-
Charges for Services	6,124	6,124	3,109	(3,015)
Fines and Forfeitures	1,559	1,559	2,162	603
Rents and Royalties	382	382	168	(214)
Investment Income	70,500	70,500	16,379	(54,121)
Sales	1,894	1,894	1,525	(369)
Donations and Grants	-	-	1	1
Other	3,700	3,700	11,254	7,554
Total Revenues	10,728,148	10,728,148	3,970,916	(6,757,232)
Expenditures:				
Education	6,359,702	5,559,364	3,330,081	(2,229,283)
Human Resources	2,586,595	2,499,357	1,387,692	(1,111,665)
Public Safety	1,344,488	1,312,518	653,125	(659,393)
Economic and Community Development	29,613	20,568	12,291	(8,277)
Natural Resources	162,580	153,043	76,739	(76,304)
Transportation	20,111	18,603	9,372	(9,231)
Consumer and Business Services	12,411	12,055	5,744	(6,311)
Administration	154,444	157,360	74,914	(82,446)
Legislative	59,669	57,683	24,010	(33,673)
Judicial	412,436	386,084	269,394	(116,690)
Total Expenditures	11,142,049	10,176,635	5,843,362	(4,333,273)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(413,901)	551,513	(1,872,446)	(2,423,959)
Other Financing Sources (Uses):				
Transfers from Other Funds	1,134,856	1,111,048	612,843	(498,205)
Transfers to Other Funds	(808,063)	(784,255)	(393,082)	391,173
Transfers to Component Units	(3,300)	(3,300)	(1,628)	1,672
Long-term Debt Issued	-	-	-	-
Debt Issuance Premium	-	-	-	-
Debt Issuance Discount	-	-	-	-
Loan Proceeds	-	-	-	-
Gain(Loss) on Disposition of Equipment	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources	<u>\$ (90,408)</u>	<u>\$ 875,006</u>	<u>(1,654,313)</u>	<u>\$ (2,529,319)</u>
Over (Under) Expenditures and Other Financing Uses				
Budgetary Fund Balances - Beginning				
Prior Period Adjustments				-
Budgetary Fund Balances - Beginning - As Restated				458,285
Prior Biennium Transactions				41,965
Budgetary Fund Balances - Ending				<u><u>\$ (1,154,063)</u></u>

State of Oregon

Continued on next page

State of Oregon

**Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budgetary (Non-GAAP) Basis -
All Budgeted Appropriated Funds
For the Biennium Ending June 30, 2003
As of June 30, 2002
(In Thousands)**

(continued from previous page)

	Other Funds			
	<u>2001-2003</u> <u>Original Budget</u>	<u>2001-2003</u> <u>Final Budget</u>	<u>1st Year Actual</u>	<u>Variance</u> <u>Over/ (Under)</u>
Revenues:				
Personal Income Taxes	\$ -	\$ -	\$ -	\$ -
Corporate Income Taxes	-	-	-	-
Tobacco Taxes	232,173	232,173	94,027	(138,146)
Motor Fuels Taxes	825,106	825,106	363,162	(461,944)
Weight-Mile Taxes	408,369	408,369	166,615	(241,754)
Employer-Employee Taxes	368,459	368,459	-	(368,459)
Vehicle Registration Taxes	-	-	102,071	102,071
Other Taxes	309,755	311,803	84,263	(227,540)
Licenses and Fees	771,623	772,338	206,391	(565,947)
Federal	639,009	639,009	236,313	(402,696)
Charges for Services	1,332,678	1,339,595	652,285	(687,310)
Fines and Forfeitures	159,862	159,862	20,122	(139,740)
Rents and Royalties	75,873	75,136	32,863	(42,273)
Investment Income	55,608	36,490	24,414	(12,076)
Sales	475,810	475,714	118,530	(357,184)
Donations and Grants	134,798	163,667	260,261	96,594
Other	3,174,753	3,494,938	446,756	(3,048,182)
Total Revenues	8,963,876	9,302,659	2,808,073	(6,494,586)
Expenditures:				
Education	1,378,233	1,823,075	497,299	(1,325,776)
Human Resources	1,033,238	1,342,760	513,663	(829,097)
Public Safety	489,640	536,984	189,521	(347,463)
Economic and Community Development	291,141	306,514	95,720	(210,794)
Natural Resources	542,428	598,739	252,104	(346,635)
Transportation	1,679,061	1,713,930	677,589	(1,036,341)
Consumer and Business Services	247,986	257,755	115,376	(142,379)
Administration	406,169	527,950	181,002	(346,948)
Legislative	3,057	3,253	1,126	(2,127)
Judicial	19,717	21,074	7,543	(13,531)
Total Expenditures	6,090,670	7,132,034	2,530,943	(4,601,091)
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,873,206	2,170,625	277,130	(1,893,495)
Other Financing Sources (Uses):				
Transfers from Other Funds	2,600,277	2,522,874	1,836,492	(686,382)
Transfers to Other Funds	(8,529,265)	(9,005,953)	(2,080,872)	6,925,081
Transfers to Component Units	(101,314)	(93,899)	(49,788)	44,111
Long-term Debt Issued	1,084,805	1,235,791	331,452	(904,339)
Debt Issuance Premium	-	-	5,435	5,435
Debt Issuance Discount	-	-	(939)	(939)
Loan Proceeds	-	3,000	10,858	7,858
Gain(Loss) on Disposition of Equipment	-	-	1,104	1,104
Excess (Deficiency) of Revenues and Other Financing Sources	\$ (2,072,291)	\$ (3,167,562)	330,872	\$ 3,498,434
Over (Under) Expenditures and Other Financing Uses			2,583,029	(4,543)
Budgetary Fund Balances - Beginning				
Prior Period Adjustments				2,578,486
Budgetary Fund Balances - Beginning - As Restated				(312,358)
Prior Biennium Transactions				\$ 2,597,000
Budgetary Fund Balances - Ending				

State of Oregon

Total All Budgeted Appropriated Funds

	2001-2003	2001-2003	1st Year Actual	Variance
	Original Budget	Final Budget		Over/ (Under)
\$	9,445,296	\$ 9,445,296	\$ 3,547,569	\$ (5,897,727)
	859,535	859,535	195,180	(664,355)
	355,927	355,927	154,918	(201,009)
	825,106	825,106	363,162	(461,944)
	408,369	408,369	166,615	(241,754)
	368,459	368,459	-	(368,459)
	-	-	102,071	102,071
	483,137	485,185	202,384	(282,801)
	813,645	814,360	221,064	(593,296)
	6,852,391	7,221,801	3,081,576	(4,140,225)
	1,338,802	1,345,719	655,489	(690,230)
	161,421	161,421	22,292	(139,129)
	76,255	75,518	33,437	(42,081)
	160,330	130,034	48,189	(81,845)
	477,704	477,608	120,332	(357,276)
	134,798	163,667	261,004	97,337
	3,178,453	3,498,638	512,514	(2,986,124)
	25,939,628	26,636,643	9,687,796	(16,948,847)
	8,918,269	8,611,781	4,297,832	(4,313,949)
	7,991,887	8,635,222	4,185,709	(4,449,513)
	2,007,232	2,029,397	905,383	(1,124,014)
	802,540	812,546	314,423	(498,123)
	997,571	1,072,791	435,203	(637,588)
	1,788,925	1,812,510	720,521	(1,091,989)
	261,892	271,366	121,872	(149,494)
	565,644	690,405	258,705	(431,700)
	62,726	60,936	25,136	(35,800)
	433,024	409,264	277,516	(131,748)
	23,829,710	24,406,218	11,542,300	(12,863,918)
	2,109,918	2,230,425	(1,854,504)	(4,084,929)
	4,656,970	4,612,241	3,019,151	(1,593,090)
	(10,475,477)	(10,978,358)	(2,653,531)	8,324,827
	(104,614)	(97,199)	(53,295)	43,904
	1,084,805	1,235,791	331,452	(904,339)
	-	-	5,435	5,435
	-	-	(939)	(939)
	-	3,000	10,858	7,858
	-	-	1,104	1,104
<u>\$</u>	<u>(2,728,398)</u>	<u>\$ (2,994,100)</u>	<u>(1,194,269)</u>	<u>\$ 1,799,831</u>
			3,352,203	
			(4,543)	
			3,347,660	
			(296,498)	
			<u>\$ 1,856,893</u>	

State of Oregon
Notes to Required Supplementary Information

1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The State's budget is approved on a biennial basis, where the biennium begins July 1 and ends June 30 of each odd-numbered year. The Governor is required to submit budget recommendations to the Legislature no later than December 1 preceding the biennium. The Governor establishes priorities for the State based on function (i.e., Education, Human Resources, etc.) and the budget is summarized by these functions. Expenditures are budgeted based on the following revenue sources: General, Federal, Lottery, and Other.

The regular Legislative session begins in January of each odd-numbered year and lasts approximately six months. The budget is adopted by the Legislature's passage of separate appropriation bills and by the Governor's approval of those bills. The resulting approved appropriation bills become the appropriated budget for the State. Appropriation bills include one or more appropriations (budgeted expenditure items) which may be at the agency, program, or activity level. The Oregon Constitution requires the budget to be in balance at the end of each biennium. Because of this provision, the State may not budget a deficit and is required to alleviate any revenue shortfalls within each biennium.

Also included in the Governor's budget recommendations are legally authorized, nonappropriated budget items that are not legislatively limited by an appropriation bill. These nonlimited funds include other funds, federal funds, and other funds debt service. Spending plans for nonbudgeted financial activities, which are not included in the Governor's budget recommendations, are also established by agencies for certain expenditures to enhance fiscal control. These nonbudgeted items include federal funds and other funds.

During the interim period when the Legislature is not in session, the Legislative Emergency Board is authorized to amend the legally adopted budget. It authorizes and allocates all changes in funding and takes other actions to meet emergency needs when the Legislature is not in session. Emergency Board approval is required to authorize the transfer of expenditure authority between appropriations. Management can transfer between expenditure objects within an appropriation without Emergency Board approval.

The State does not budget by GAAP fund type. Appropriations may be at the agency, program, or activity level. Accordingly, the legal level of budgetary control is at one of these various levels depending on the Legislature's view of the activity. The Relational Standard Accounting and Reporting System (R*STARS) controls expenditures by budgeted expenditure item as established in approved appropriation bills. Each item on an approved appropriation bill is assigned an appropriation number. Expenditures may not exceed appropriations. In R*STARS, appropriated funds are tied to one or more appropriation numbers to ensure that appropriated expenditure amounts are not exceeded.

The accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds" is not presented at the legal level of budgetary control. Such a presentation would be extremely cumbersome. To demonstrate compliance with the legal level of budgetary control, the State has prepared a separate report for the 2001-2003 biennium as of June 30, 2002. A copy of this report is available at the State Controller's Division, 155 Cottage Street NE U50, Salem, Oregon 97301-3969.

Expenditures are monitored through the use of quarterly allotments. Allotments are required for appropriated and nonappropriated items and are used to establish spending limits. These spending limits are monitored by the Budget and Management Division of the Department of Administrative Services and are controlled by R*STARS. Encumbrance accounting is used for additional budgetary control. Encumbrances represent commitments related to unperformed contracts for goods or services. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance. Under GAAP reporting, encumbrances outstanding at year end expected to be honored in the following year are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

State of Oregon
Notes to Required Supplementary Information

Unexpended appropriations at the end of each biennium are available for subsequent expenditure to the extent that encumbrances have been incurred at June 30, provided they are presented for payment during the succeeding six month “lapse period.” Any remaining unexpended appropriations lapse December 31 following the end of the biennium. This does not apply to appropriations related to capital construction. Amounts for continuing contracts and contested claims are continuously appropriated.

The State does not formally budget revenues, with the exception of general fund revenues. While agencies are required to submit estimates of expected revenues for program revenue and segregated revenue categories, these estimates are not formally incorporated into the adopted budget. General fund revenues consist primarily of general taxes and other receipts that are paid into the general fund and are then available for appropriation by the Legislature. Revenues not recorded in the general fund consist of function specific revenues, which are credited by law to an appropriation to finance a specified program and segregated revenues that are paid into separate identifiable funds.

Budgets are prepared on the cash basis utilizing encumbrance accounting. The original budget amounts reported for revenues in the accompanying “Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis - All Budgeted Appropriated Funds” represent original estimates, while budgeted expenditures represent the first complete appropriated budget adopted by the Legislature. The final budget amounts reported for revenues represent revised estimates, while the final budget amounts reported for expenditures represent the original budget modified by legally authorized legislative and executive changes as well as Emergency Board actions taken during the year. Subsequent to June 30, 2002, legislative action was taken to reduce expenditure budgets due to a reduction of forecasted revenue. These changes are not included in the accompanying budgetary schedule, which is presented as of June 30, 2002.

The major differences between Budgetary (Non-GAAP) basis and GAAP basis are:

1. Encumbrances are recorded as expenditures for budgetary purposes when purchase orders are issued.
2. Revenues are recognized when received in cash (budgetary) as opposed to when they are susceptible to accrual (GAAP).
3. Expenditures are recognized when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
4. Nonappropriated and nonbudgeted funds are not included in the budgetary statement.
5. Timing differences occur because of a six-month lapse period between June 30 and December 31 of each odd-numbered year.

These different accounting principles may result in basis, perspective, entity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources over (under) expenditures and other uses of financial resources. A reconciliation of these differences is presented in the notes to required supplementary information (Note 2).

R*STARS establishes the following budgeted appropriated funds to account for the State’s budgetary activities: General Fund, Federal Funds, Lottery Funds, and Other Funds.

State of Oregon
Notes to Required Supplementary Information

2. BUDGETARY BASIS TO GAAP BASIS RECONCILIATION

The accompanying "Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP Basis) - All Budgeted Appropriated Funds" presents comparisons of the legally approved budget (more fully described in Note 1) with actual data on a budgetary basis.

Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A reconciliation of the resulting differences in excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses for the year ended June 30, 2002 is presented below. Governmental funds are reconciled to the net change in fund balances. Proprietary funds and fiduciary fund types are reconciled to the change in net assets.

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)
 Expenditures and Other Financing Uses (in thousands)

GAAP Fund	Budgetary Balances Classified into GAAP Fund Structure							Non-Budgeted		GAAP Balances
	Budgetary General Fund	Budgeted Federal Funds	Budgeted Lottery Funds	Budgeted Other Funds	Total Budgeted Funds	Timing Differences	Basis Differences	Budgeted Funds	GAAP Balances	
General	(1,654,313)	-	-	-	(1,654,313)	123,040	400,609	71,170	(1,059,494)	
Health & Social Services	-	(60,590)	1,734	(54,011)	(112,867)	(14,944)	(78,640)	88,343	(118,108)	
Public Transportation	-	792	-	262,003	262,795	(3,423)	36,638	6,811	302,821	
Environmental Management	-	(7,982)	25,024	(27,216)	(10,174)	3,500	450	32,080	25,856	
Nonmajor Governmental.....	-	(103,110)	272,257	77,644	246,791	(153,105)	88,343	63,458	245,487	
Housing & Community Services.	-	-	-	(448)	(448)	(177)	(585)	5,840	4,630	
Veterans' Loan.....	-	-	-	(9,253)	(9,253)	(685)	(11)	15,689	5,740	
Lottery Operations	-	-	-	-	-	-	-	(20,359)	(20,359)	
Unemployment Compensation....	-	-	-	-	-	-	-	(146,653)	(146,653)	
University System	-	-	-	309,682	309,682	(73,451)	295,418	(417,334)	114,315	
Nonmajor Proprietary	-	-	1,047	5,149	6,196	(9,504)	7,923	37,872	42,487	
Internal Service	-	-	-	(222,429)	(222,429)	1,512	7,291	171,724	(41,902)	
Pension Trust.....	-	-	-	(21,201)	(21,201)	588	1,452	(2,775,253)	(2,794,414)	
Private Purpose Trust	-	-	-	10,952	10,952	(206)	(67,887)	(7,954)	(65,095)	
Investment Trust.....	-	-	-	-	-	-	-	(253,893)	(253,893)	
Totals (Memo Only)	(1,654,313)	(170,890)	300,062	330,872	(1,194,269)	(126,855)	691,001	(3,128,459)	(3,758,582)	



*Combining
Fund
Financial
Statements*

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources, other than for major capital projects, that finance specified activities as required by law or administrative regulations.

Agricultural Resources Fund

This fund accounts for programs related to the promotion, inspection, and regulation of the State's agricultural industry. Funding for these programs comes from licenses and fees, charges for services, and federal grants.

Business Development Fund

This fund is used to account for programs that expand existing businesses as well as attract and promote new businesses. Employer and employee taxes, federal grants, and revenue bond proceeds are the main funding sources for these programs.

Community Protection Fund

This fund accounts for a variety of activities that help to ensure the safety of the State's citizens and their property through the courts, police, military, and correctional facilities. The main funding sources for these programs are federal grants, fines, and charges for services provided to state wards.

Consumer Protection Fund

This fund is used to account for programs that regulate existing businesses and license various professionals and organizations. Funding is generated mainly from public utilities taxes and business license fees.

Educational Support Fund

This fund is used to account for programs that provide students opportunities to develop their academic abilities to the fullest from early childhood into postgraduate research. The principal funding sources for these programs come from federal grants, timber harvest taxes, and transfers from other funds.

Employment Services Fund

This fund accounts for programs that provide workers with a safe and secure workplace. Funding for these employment related programs comes from federal grants, employer and employee taxes, and other taxes.

Nutritional Support Fund

This fund accounts for programs to improve the diets of low-income households and school children. Federal grants are the main source of revenue for these programs.

Residential Assistance Fund

This fund accounts for programs that help to meet the housing and energy needs of low-income Oregonians. Major funding comes from federal grants, senior citizen property tax repayments, and public utilities taxes.

Other Special Revenue Funds

This fund accounts for a variety of small programs that are funded mainly by charges for services, product sales, and federal grants.

Debt Service Funds

Debt Service Funds account for the accumulation of resources for the payment of interest and principal on long-term obligations.

Revenue Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term revenue bonds not reported in proprietary funds. The portion of these bonds not self-supporting is funded by a legislative appropriation.

Certificates of Participation Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on certificates of participation not reported in proprietary funds. Debt service requirements are funded by a legislative appropriation.

General Obligation Bond Fund

This fund accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation bonds not reported in the general fund or in proprietary funds. The issuance of general obligation debt is authorized in the Oregon constitution. The portion of these bonds not self-supporting is funded by a legislative appropriation.

Capital Projects Fund

The capital projects fund is used to account for financial resources, other than general funds, segregated for the construction or acquisition of major capital facilities.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the State's programs.

Education Endowment Fund

This fund receives lottery or other funds, the earnings of which are used to finance public education.

Housing Guarantee Fund

This fund is used to guarantee repayment of loans made to finance the construction, acquisition, or rehabilitation of low-income housing. Earnings on the principal balance are used to expand the State's supply of housing for low-income families and individuals such as persons over 65 years of age, disabled persons, farm workers, and Native Americans.

Other Permanent Funds

This fund is used to account for the principal and related interest income of a variety of small programs. The interest income provides funding for programs such as the upkeep on county fairgrounds and fish hatcheries, scholarship funds for injured workers, special library book purchases, and homes for the developmentally disabled.

State of Oregon

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
ASSETS			
Cash and Cash Equivalents	\$ 15,594	\$ 65,879	\$ 25,327
Investments	-	960	8,632
Cash and Securities Held in Trust	-	-	-
Securities Lending Cash Collateral	-	-	1,711
Accounts and Interest Receivable (net)	1,902	1,610	19,768
Taxes Receivable	-	3,100	-
Due from Other Funds	1,368	130,527	69,860
Due from Other Governments	-	-	-
Inventories	183	27	266
Prepaid Items	20	19	27
Advances to Other Funds	-	-	-
Net Contracts, Notes and Other Receivables	-	18	164,173
Loans Receivable	-	19	-
Total Assets	\$ 19,067	\$ 202,159	\$ 289,764
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and Interest Payable	\$ 890	\$ 2,125	\$ 10,950
Obligations Under Securities Lending	-	-	1,711
Due to Other Funds	23	76,406	38,475
Due to Other Governments	-	5,355	2,138
Matured Bonds/COPS and Coupons Payable	-	-	-
Advances from Other Funds	-	124	-
Trust Funds Payable	448	-	767
Deferred Revenue	1,738	2,172	164,687
Net Contracts, Mortgages and Notes Payable	-	-	-
Total Liabilities	3,099	86,182	218,728
Fund Balances:			
Reserved for Encumbrances	84	5	2,264
Reserved for Inventories	183	27	266
Reserved for Loans Receivable	-	19	-
Reserved for Other Long-term Receivables	-	-	-
Reserved for Advances to Other Funds	-	-	-
Reserved for Prepaid Items	20	19	27
Reserved for Debt Service	-	-	-
Reserved for Permanent Fund Principal	-	-	-
Reserved for Claims and Judgments Payable	-	-	-
Reserved for Revolving Accounts	76	-	81
Unreserved, Undesignated	15,605	115,907	68,398
Total Fund Balances	15,968	115,977	71,036
Total Liabilities and Fund Balances	\$ 19,067	\$ 202,159	\$ 289,764

State of Oregon

Special Revenue Funds

<u>Consumer Protection</u>	<u>Educational Support</u>	<u>Employment Services</u>	<u>Nutritional Support</u>	<u>Residential Assistance</u>	<u>Other</u>
\$ 48,303	\$ 65,302	\$ 129,260	\$ 294	\$ 72,450	\$ 15,949
-	-	125,495	-	-	1,843
1,960	-	-	-	-	-
2,427	-	29,461	-	1,821	-
13,522	35,272	51,515	8,331	5,142	601
-	4,874	-	-	-	-
40,178	126,860	2,247	-	3,355	3,129
-	54	-	-	-	-
379	13	3,928	445	1	598
477	48	297	-	-	15
-	-	-	-	-	16
484	451	10,354	-	47	-
-	25	-	-	96,673	-
\$ 107,730	\$ 232,899	\$ 352,557	\$ 9,070	\$ 179,489	\$ 22,151
\$ 2,439	\$ 4,388	\$ 38,499	\$ 85	\$ 5,400	\$ 584
2,427	-	29,461	-	1,821	-
5,298	350	13,163	504	166	603
5,958	7,943	1,120	5,792	499	-
-	-	-	-	-	-
-	296	1,108	-	50,981	222
2,920	148	348	-	-	9
484	4,987	11,664	333	269	-
-	-	-	-	-	25
19,526	18,112	95,363	6,714	59,136	1,443
288	96,976	4,003	77	458	371
379	13	3,928	445	1	598
-	25	-	-	96,673	-
-	-	-	-	-	-
-	-	-	-	-	16
477	48	297	-	-	15
-	-	-	-	-	-
-	-	-	-	-	-
-	-	149,373	-	-	-
8	3	101	-	-	-
87,052	117,722	99,492	1,834	23,221	19,708
88,204	214,787	257,194	2,356	120,353	20,708
\$ 107,730	\$ 232,899	\$ 352,557	\$ 9,070	\$ 179,489	\$ 22,151

(continued on next page)

State of Oregon

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002
(In Thousands)
(continued from previous page)

	Debt Service Funds			Capital Projects Fund
	Revenue Bond	Certificates of Participation	General Obligation Bond	Capital Projects
ASSETS				
Cash and Cash Equivalents	\$ 18,857	\$ 36,742	\$ 3,324	\$ 53,065
Investments	57,167	51	1,203	20,199
Cash and Securities Held in Trust	-	-	-	-
Securities Lending Cash Collateral	-	-	-	-
Accounts and Interest Receivable (net)	-	-	16	2,244
Taxes Receivable	-	-	-	-
Due from Other Funds	32,486	1,888	-	1,331
Due from Other Governments	-	-	-	-
Inventories	-	-	-	-
Prepaid Items	-	-	-	-
Advances to Other Funds	-	-	-	-
Net Contracts, Notes and Other Receivables	-	-	-	1,481
Loans Receivable	-	-	-	-
Total Assets	\$ 108,510	\$ 38,681	\$ 4,543	\$ 78,320
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and Interest Payable	\$ 557	\$ 48	\$ -	\$ 4,364
Obligations Under Securities Lending	-	-	-	-
Due to Other Funds	3	58	-	5,755
Due to Other Governments	-	-	-	-
Matured Bonds/COPS and Coupons Payable	-	-	112	-
Advances from Other Funds	-	179	-	-
Trust Funds Payable	-	5	-	-
Deferred Revenue	-	-	-	58
Net Contracts, Mortgages and Notes Payable	-	-	-	-
Total Liabilities	560	290	112	10,177
Fund Balances:				
Reserved for Encumbrances	-	-	-	3,156
Reserved for Inventories	-	-	-	-
Reserved for Loans Receivable	-	-	-	-
Reserved for Other Long-term Receivables	-	-	-	1,481
Reserved for Advances to Other Funds	-	-	-	-
Reserved for Prepaid Items	-	-	-	-
Reserved for Debt Service	107,950	38,391	4,431	-
Reserved for Permanent Fund Principal	-	-	-	-
Reserved for Claims and Judgments Payable	-	-	-	-
Reserved for Revolving Accounts	-	-	-	-
Unreserved, Undesignated	-	-	-	63,506
Total Fund Balances	107,950	38,391	4,431	68,143
Total Liabilities and Fund Balances	\$ 108,510	\$ 38,681	\$ 4,543	\$ 78,320

State of Oregon

Permanent Funds

<u>Education Endowment</u>	<u>Housing Guarantee</u>	<u>Other</u>	<u>Total</u>
\$ 222,168	\$ 2,652	\$ 12,712	\$ 787,878
6,029	12,843	-	234,422
-	-	-	1,960
-	185	-	35,605
-	293	704	140,920
-	-	-	7,974
13,209	-	1	426,439
-	-	-	54
-	-	-	5,840
-	-	-	903
-	-	-	16
-	-	-	177,008
-	-	-	96,717
\$ 241,406	\$ 15,973	\$ 13,417	\$ 1,915,736

\$ 25	\$ -	\$ 141	\$ 70,495
-	185	-	35,605
623	288	5	141,720
-	-	-	28,805
-	-	-	112
-	-	-	52,910
-	-	170	4,815
-	-	-	186,392
-	-	-	25
648	473	316	520,879

-	-	-	107,682
-	-	-	5,840
-	-	-	96,717
-	-	-	1,481
-	-	-	16
-	-	-	903
-	-	-	150,772
219,482	15,500	5,405	240,387
-	-	-	149,373
-	-	-	269
21,276	-	7,696	641,417
240,758	15,500	13,101	1,394,857
\$ 241,406	\$ 15,973	\$ 13,417	\$ 1,915,736

State of Oregon

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2002
(In Thousands)

	Special Revenue Funds		
	Agricultural Resources	Business Development	Community Protection
Revenues:			
Employer-Employee Taxes	\$ -	\$ 164,111	\$ -
Other Taxes	658	8,759	-
Licenses and Fees	13,810	2,172	7,670
Federal	4,369	20,041	87,186
Charges for Services	5,932	556	15,721
Fines and Forfeitures	22	12	72,787
Rents and Royalties	-	-	1,526
Investment Income	364	1,968	688
Sales	4	1,090	3,312
Donations and Grants	-	-	313
Other	1,290	7,591	5,507
Total Revenues	26,449	206,300	194,710
Expenditures:			
Current:			
Education	-	-	-
Human Resources	-	-	4,161
Public Safety	-	1,534	171,028
Economic and Community Development	-	55,309	-
Natural Resources	32,472	177	-
Transportation	-	-	7,248
Consumer and Business Services	-	275	-
Administration	-	189,323	8,880
Legislative	-	-	-
Judicial	-	-	30,775
Capital Improvements and Capital Construction	-	-	-
Debt Service:			
Principal	14	-	-
Interest	-	12	-
Other Debt Service	-	-	-
Total Expenditures	32,486	246,630	222,092
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,037)	(40,330)	(27,382)
Other Financing Sources (Uses):			
Transfers from Other Funds	6,660	410,579	210,272
Transfers to Other Funds	(2,518)	(367,178)	(187,932)
Transfers to Component Units	-	-	-
Long-Term Debt Issued	-	34,357	7,584
Debt Issuance Premium	-	849	252
Debt Issuance Discount	-	-	-
Refunded Debt Issued	-	-	-
Contributions to Permanent Funds	-	-	-
Refunded Debt Payment to Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	4,142	78,607	30,176
Net Change in Fund Balances	(1,895)	38,277	2,794
Fund Balances - Beginning	17,738	69,700	68,906
Prior Period Adjustments	104	-	(772)
Cumulative Effect of Change in Accounting Principles	28	7,998	20
Fund Balances - Beginning - As Restated	17,870	77,698	68,154
Change in Reserve for Inventories	(7)	2	88
Fund Balances - Ending	\$ 15,968	\$ 115,977	\$ 71,036

State of Oregon

Special Revenue Funds

<u>Consumer Protection</u>	<u>Educational Support</u>	<u>Employment Services</u>	<u>Nutritional Support</u>	<u>Residential Assistance</u>	<u>Other</u>
\$ -	\$ -	\$ 91,209	\$ -	\$ -	\$ -
84,338	17,841	49,254	-	15,010	-
66,537	302	1,379	-	465	17
651	228,753	202,574	433,948	89,183	2,026
1,376	1,368	20,050	2,949	1,896	11,242
1,962	-	-	-	11	1
-	274	-	-	-	597
1,557	1,536	26,337	23	384	402
100	460	164	13	-	2,138
20	8,845	-	-	411	245
48	10,199	1,778	13,052	164	399
156,589	269,578	392,745	449,985	107,524	17,067
1,717	308,776	63,077	101,713	-	-
-	-	-	347,964	-	-
-	-	-	-	-	-
-	-	109,493	919	107,848	1,668
2,247	-	-	-	588	-
-	-	-	-	-	-
113,705	-	151,323	-	3,705	-
28,456	7,179	754	10	148	32,739
-	-	-	-	-	2,272
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	22	-	-	-	-
-	-	-	-	-	-
146,125	315,977	324,647	450,606	112,289	36,679
10,464	(46,399)	68,098	(621)	(4,765)	(19,612)
67,581	308,166	85,927	125	8,874	31,409
(66,046)	(113,516)	(144,209)	(66)	(2,085)	(3,804)
(86)	-	-	-	-	-
-	-	-	-	11,070	-
-	-	-	-	-	-
-	-	-	-	(8)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,449	194,650	(58,282)	59	17,851	27,605
11,913	148,251	9,816	(562)	13,086	7,993
76,121	56,326	245,732	2,976	104,533	12,662
(487)	(350)	-	-	2,734	15
649	10,562	1,432	-	-	41
76,283	66,538	247,164	2,976	107,267	12,718
8	(2)	214	(58)	-	(3)
\$ 88,204	\$ 214,787	\$ 257,194	\$ 2,356	\$ 120,353	\$ 20,708

(continued on next page)

State of Oregon

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2002
(In Thousands)
(continued from previous page)

	Debt Service Funds			Capital Projects Fund
	Revenue Bond	Certificates of Participation	General Obligation Bond	Capital Projects
Revenues:				
Employer-Employee Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Licenses and Fees	-	-	-	-
Federal	-	167	-	9,444
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Rents and Royalties	-	-	-	-
Investment Income	4,248	678	169	4,252
Sales	-	-	-	6
Donations and Grants	-	-	-	-
Other	-	-	-	136
Total Revenues	4,248	845	169	13,838
Expenditures:				
Current:				
Education	-	-	-	-
Human Resources	-	-	-	-
Public Safety	-	-	-	-
Economic and Community Development	-	-	-	-
Natural Resources	-	-	-	-
Transportation	-	-	-	-
Consumer and Business Services	-	-	-	-
Administration	-	-	-	-
Legislative	-	-	-	-
Judicial	-	-	-	-
Capital Improvements and Capital Construction	-	-	-	81,681
Debt Service:				
Principal	27,821	9,187	2,845	-
Interest	25,836	10,718	330	-
Other Debt Service	45	3,520	72	-
Total Expenditures	53,702	23,425	3,247	81,681
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,454)	(22,580)	(3,078)	(67,843)
Other Financing Sources (Uses):				
Transfers from Other Funds	104,135	57,375	1,162	21,861
Transfers to Other Funds	(40,942)	(25)	(116)	(51,117)
Transfers to Component Units	-	-	-	-
Long-Term Debt Issued	-	-	-	5,998
Debt Issuance Premium	-	13,872	-	21
Debt Issuance Discount	-	-	-	-
Refunded Debt Issued	-	260,435	-	-
Contributions to Permanent Funds	-	-	-	-
Refunded Debt Payment to Escrow Agent	-	(270,769)	-	-
Total Other Financing Sources (Uses)	63,193	60,888	1,046	(23,237)
Net Change in Fund Balances	13,739	38,308	(2,032)	(91,080)
Fund Balances - Beginning	94,661	571	6,463	159,460
Prior Period Adjustments	(450)	(488)	-	(237)
Cumulative Effect of Change in Accounting Principles	-	-	-	-
Fund Balances - Beginning - As Restated	94,211	83	6,463	159,223
Change in Reserve for Inventories	-	-	-	-
Fund Balances - Ending	\$ 107,950	\$ 38,391	\$ 4,431	\$ 68,143

State of Oregon

Permanent Funds

<u>Education Endowment</u>	<u>Housing Guarantee</u>	<u>Other</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 255,320
-	-	-	175,860
-	-	-	92,352
-	-	-	1,078,342
36	-	-	61,126
-	-	-	74,795
-	-	-	2,397
1,682	796	342	45,426
-	-	-	7,287
-	-	26	9,860
284	-	166	40,614
2,002	796	534	1,843,379
<hr/>			
-	-	-	475,283
-	-	3,948	356,073
-	-	-	172,562
-	-	-	275,237
-	-	5	35,489
-	-	-	7,248
-	-	17	269,025
25	-	-	267,514
-	-	-	2,272
-	-	-	30,775
-	-	-	81,681
-	-	-	39,867
-	-	-	36,918
-	-	-	3,637
25	-	3,970	2,053,581
<hr/>			
1,977	796	(3,436)	(210,202)
5,587	-	13,420	1,333,133
(5,345)	(796)	(3,962)	(989,657)
-	-	-	(86)
-	-	-	59,009
-	-	-	14,994
-	-	-	(8)
-	-	-	260,435
47,970	-	668	48,638
-	-	-	(270,769)
48,212	(796)	10,126	455,689
50,189	-	6,690	245,487
-	-	-	915,849
-	-	-	69
190,569	15,500	6,411	233,210
190,569	15,500	6,411	1,149,128
-	-	-	242
\$ 240,758	\$ 15,500	\$ 13,101	\$ 1,394,857

Nonmajor Enterprise Funds

Enterprise Funds account for goods and services provided to the general public on a continuous basis, either when all or most of the cost involved in operating the enterprise is intended to be financed from user charges, or when periodic measurement of the results of operations is appropriate for management control or accountability.

Energy Loan Fund

This fund accounts for activities to provide low-interest loans for renewable energy resource and energy conservation projects. Funding is from the issuance of bonds that are repaid from the interest and principal payments on loans.

Water Resources Fund

This fund accounts for activities to provide low-interest loans for irrigation, drainage, and water systems projects for small municipalities. Capital for this fund is provided from general obligation bonds that are repaid by borrowers.

Business Development Fund

This fund accounts for resources used to finance land, buildings, machinery, and permanent working capital for eligible activities including those determined to diversify an economic base.

Special Public Works Fund

This fund accounts for loans and grants to local governments for construction of infrastructure required to support needed public services. The Special Public Works Fund is financed through lottery resources, the sale of revenue bonds, loan repayments, and interest earnings.

State Hospitals Fund

This fund accounts for the operations of State hospitals and State operated residential group homes that provide treatment services for specific citizens as well as training and care for developmentally disabled persons. Clinical programs include the adult psychiatric program, the child and adolescent treatment program, the forensic and correctional treatment program, and the geropsychiatric treatment and medical service program.

Liquor Control Fund

This fund accounts for the operation of the Oregon Liquor Control Commission that regulates the sale and use of alcoholic beverages and promotes responsible alcohol use.

Veterans' Home Fund

This fund accounts for activities of the Oregon Veterans' Home, which provides skilled nursing and Alzheimer's disease care to some of Oregon's most vulnerable veterans.

Water Fund

This fund accounts for loans and grants to municipalities to improve compliance with federal and State of Oregon water quality standards. The water fund is financed through lottery resources, the sale of revenue bonds, loan repayments, and interest earnings.

Other Enterprise Funds

This fund is used to account for the sale of goods and services to other than governmental entities through activities not specifically accounted for in another enterprise fund. This includes programs within the following state agencies: the Department of Administrative Services, Legislative Administration Committee, the Judicial Department, the Housing, Educational and Cultural Facilities Authority, the State Fair and Exposition Center, the Oregon State Treasury, the Department of Corrections, Oregon Corrections Enterprises, the Department of Forestry, the Department of Transportation, and the Oregon Economic and Community Development Department.

State of Oregon

**Combining Balance Sheet
Nonmajor Enterprise Funds
June 30, 2002
(In Thousands)**

	<u>Energy Loan</u>	<u>Water Resources</u>	<u>Business Development</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 71,650	\$ 3,678	\$ 6,192
Cash and Cash Equivalents - Restricted	106	89	-
Investments	460	-	-
Securities Lending Cash Collateral	-	-	-
Accounts and Interest Receivable (net)	828	26	55
Due from Other Funds	-	-	-
Inventories	-	-	-
Prepaid Items	-	-	-
Total Current Assets	<u>73,044</u>	<u>3,793</u>	<u>6,247</u>
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	3,421	-	-
Investments - Restricted	-	-	-
Deferred Charges	455	-	-
Advances to Other Funds	22,259	-	-
Loans Receivable	107,487	1,000	13,753
Capital Assets:			
Land	-	-	-
Buildings, Property and Equipment	-	-	-
Construction in Progress	-	-	-
Infrastructure	-	-	-
Works of Art and Historical Treasures	-	-	-
Less Accumulated Depreciation and Amortization	-	-	-
Total Noncurrent Assets	<u>133,622</u>	<u>1,000</u>	<u>13,753</u>
Total Assets	\$ 206,666	\$ 4,793	\$ 20,000
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts and Interest Payable	\$ 4,351	\$ 32	\$ 19
Obligations Under Securities Lending	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Matured Bonds/COPS and Coupons Payable	106	89	-
Obligations Under Capital Lease	-	-	-
Bonds/COPS Payable	34,655	386	-
Trust Funds Payable	3,425	-	-
Deferred Revenue	3	-	-
Compensated Absences Payable	48	-	19
Total Current Liabilities	<u>42,588</u>	<u>507</u>	<u>38</u>
Noncurrent Liabilities:			
Bonds/COPS Payable	148,179	2,048	-
Obligations Under Capital Lease	-	-	-
Arbitrage Rebate Payable	219	-	-
Trust Funds Payable	-	-	-
Advances from Other Funds	-	-	-
Total Noncurrent Liabilities	<u>148,398</u>	<u>2,048</u>	<u>-</u>
Total Liabilities	<u>190,986</u>	<u>2,555</u>	<u>38</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	-	-	-
Restricted for Transportation Purposes	-	-	-
Unrestricted	15,680	2,238	19,962
Total Net Assets	<u>15,680</u>	<u>2,238</u>	<u>19,962</u>
Total Liabilities and Net Assets	<u>\$ 206,666</u>	<u>\$ 4,793</u>	<u>\$ 20,000</u>

State of Oregon

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
\$ 24,261	\$ 9,353	\$ 18,310	\$ 493	\$ 11,839	\$ 27,556	\$ 173,332
-	-	-	-	-	12	207
-	4	-	-	-	-	464
-	-	-	34	-	-	34
4,130	5,961	56	457	1,802	3,957	17,272
-	5,173	-	-	-	1,081	6,254
-	615	10,884	-	-	9,630	21,129
-	-	63	-	-	31	94
28,391	21,106	29,313	984	13,641	42,267	218,786
34,561	-	-	-	35,713	9,377	83,072
4,207	-	-	-	1,075	1,320	6,602
1,184	-	-	-	639	342	2,620
-	-	-	-	100	3,166	25,525
135,272	-	-	-	52,087	26,572	336,171
-	82	59	90	-	87,194	87,425
-	58,790	11,097	12,479	-	28,028	110,394
-	2	-	-	-	6,290	6,292
-	1,301	-	-	-	281	1,582
-	-	-	40	-	-	40
-	(45,506)	(5,173)	(1,526)	-	(18,292)	(70,497)
175,224	14,669	5,983	11,083	89,614	144,278	589,226
\$ 203,615	\$ 35,775	\$ 35,296	\$ 12,067	\$ 103,255	\$ 186,545	\$ 808,012
2,790	\$ 1,786	\$ 10,246	\$ 458	\$ 1,424	\$ 3,102	\$ 24,208
-	-	-	34	-	-	34
-	4,848	5,388	-	-	61	10,297
861	-	-	-	444	10	1,315
-	-	-	-	-	12	207
-	-	-	-	-	38	38
4,410	-	-	-	2,180	2,031	43,662
927	14	-	7	1,713	-	6,086
-	-	656	-	-	98	757
32	5,772	793	17	18	727	7,426
9,020	12,420	17,083	516	5,779	6,079	94,030
98,843	-	-	-	52,578	30,045	331,693
-	-	-	-	-	162	162
-	-	-	-	-	82	301
395	-	-	-	385	-	780
-	1,330	-	-	-	2,056	3,386
99,238	1,330	-	-	52,963	32,345	336,322
108,258	13,750	17,083	516	58,742	38,424	430,352
-	14,669	5,982	11,082	-	82,004	113,737
-	-	-	-	-	19,166	19,166
95,357	7,356	12,231	469	44,513	46,951	244,757
95,357	22,025	18,213	11,551	44,513	148,121	377,660
\$ 203,615	\$ 35,775	\$ 35,296	\$ 12,067	\$ 103,255	\$ 186,545	\$ 808,012

State of Oregon

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2002
(In Thousands)

	<u>Energy Loan</u>	<u>Water Resources</u>	<u>Business Development</u>
Operating Revenues:			
Other Taxes	\$ -	\$ -	\$ -
Licenses and Fees	277	-	-
Federal	-	-	-
Charges for Services	262	2	40
Fines and Forfeitures	334	-	-
Rents and Royalties	-	-	-
Sales	-	-	-
Loan Interest Income	9,762	-	792
Investment Income	950	175	199
Gifts, Grants and Contracts	-	-	-
Other	11	-	3
Total Operating Revenues	<hr/> 11,596	<hr/> 177	<hr/> 1,034
Operating Expenses:			
Salaries and Wages	730	50	218
Services and Supplies	496	29	109
Cost of Goods Sold	-	-	-
Distributions to Other Governments	-	-	-
Special Payments	-	-	-
Bond and COP Interest	9,343	180	-
Other Debt Service	8	-	-
Depreciation and Amortization	-	-	-
Bad Debt Expense	178	-	-
Total Operating Expenses	<hr/> 10,755	<hr/> 259	<hr/> 327
Operating Income (Loss)	<hr/> 841	<hr/> (82)	<hr/> 707
Nonoperating Revenues (Expenses):			
Gain (Loss) on Disposition of Assets	-	-	-
Loan Interest Expense	-	-	-
Total Nonoperating Revenues (Expenses)	<hr/> -	<hr/> -	<hr/> -
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	841	(82)	707
Transfers from Other Funds	-	550	1,375
Transfers to Other Funds	-	-	(1,675)
Change in Net Assets	<hr/> 841	<hr/> 468	<hr/> 407
Net Assets - Beginning	14,839	1,770	19,555
Prior Period Adjustments	-	-	-
Cumulative Effect of Change in Accounting Principles	-	-	-
Net Assets - Beginning - As Restated	<hr/> 14,839	<hr/> 1,770	<hr/> 19,555
Net Assets - Ending	\$ 15,680	\$ 2,238	\$ 19,962

State of Oregon

<u>Special Public Works</u>	<u>State Hospitals</u>	<u>Liquor Control</u>	<u>Veterans' Home</u>	<u>Water</u>	<u>Other</u>	<u>Total</u>
\$ - \$ - \$ 12,677						\$ 12,677
- - - 3,405						3,682
- - - -					9,234	9,234
- 68,354 -			5,466	-	15,750	89,874
- - 229			-	-	23	586
- 105 -			-	-	2,010	2,115
- 1,240 254,465			-	-	17,291	272,996
7,782 - -			-	3,619	1,041	22,996
872 - -			14	288	720	3,218
- - - -			-	-	1	1
36 - 222			-	-	3,239	3,511
8,690	69,699	270,998	5,480	3,907	49,309	420,890
801 114,322 12,069			219	384	14,386	143,179
388 23,238 26,294			5,294	190	10,090	66,128
- - 126,587			-	-	11,721	138,308
5,113 - 29,333			-	2,164	430	37,040
- 60 -			-	-	95	155
5,391 - -			-	2,744	1,585	19,243
81 - -			-	86	11	186
- 1,074 586			331	-	1,321	3,312
- - - -			-	-	500	678
11,774	138,694	194,869	5,844	5,568	40,139	408,229
(3,084)	(68,995)	76,129	(364)	(1,661)	9,170	12,661
- (24) 8			-	-	(13)	(29)
- (106) -			-	-	(148)	(254)
- (130) 8			-	-	(161)	(283)
(3,084) (69,125) 76,137			(364)	(1,661)	9,009	12,378
16,798 84,580 39,086			1	14,215	8,217	164,822
(66) (6,421) (113,965)			-	(5,662)	(6,924)	(134,713)
13,648 9,034 1,258			(363)	6,892	10,302	42,487
82,183 12,933 16,955			11,874	37,868	137,816	335,793
(474) 58 -			-	(247)	3	(660)
- - -			40	-	-	40
81,709 12,991 16,955			11,914	37,621	137,819	335,173
\$ 95,357 \$ 22,025 \$ 18,213			\$ 11,551	\$ 44,513	\$ 148,121	\$ 377,660

State of Oregon

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2002
(In Thousands)

	<u>Energy Loan</u>	<u>Water Resources</u>	<u>Business Development</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 970	\$ 4	\$ 44
Receipts from Other Funds for Services	-	-	-
Loan Principal Repayments	26,437	117	2,293
Loan Interest Received	9,157	-	893
Taxes and Assessments Received	-	-	-
Payments to Employees for Services	(731)	-	(212)
Payments to Suppliers	(664)	(1)	(252)
Payments to Other Funds for Services	(85)	(81)	(51)
Payments to Prize Winners	-	-	-
Loans Made	(15,010)	-	(4,918)
Distributions to Other Governments	-	-	-
Other Receipts (Payments)	173	-	3
Net Cash Provided (Used) in Operating Activities	20,247	39	(2,200)
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bond/COP Sales	27,918	-	-
Principal Payments on Bonds/COPS	(14,005)	(365)	-
Interest Payments on Bonds/COPS	(8,750)	(177)	-
Bond/COP Issuance Costs	(94)	-	-
Principal Payments on Advances	-	-	-
Interest Payments on Advances	-	-	-
Transfers from Other Funds	-	550	1,575
Transfers to Other Funds	-	-	(1,875)
Net Cash Provided (Used) in Noncapital Financing Activities	5,069	8	(300)
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	-	-	-
Payments on Capital Leases	-	-	-
Proceeds from Disposition of Capital Assets	-	-	-
Net Cash Provided (Used) in Capital and Related Financing Activities	-	-	-
Cash Flows from Investing Activities:			
Purchases of Investments	-	-	-
Proceeds from Sales and Maturity of Investments	344	-	-
Interest on Investments and Cash Balances	1,304	191	121
Interest Income from Securities Lending	-	-	-
Interest Expense from Securities Lending	-	-	-
Net Cash Provided (Used) in Investing Activities	1,648	191	121
Net Increase (Decrease) in Cash and Cash Equivalents	26,964	238	(2,379)
Cash and Cash Equivalents - Beginning	48,213	3,529	8,571
Cash and Cash Equivalents - Ending	\$ 75,177	\$ 3,767	\$ 6,192

State of Oregon

Special Public Works	State Hospitals	Liquor Control	Veterans' Home	Water	Other	Total
\$ - \$ 76,425	\$ 257,865	\$ 5,521	\$ -	\$ 39,760	\$ 380,589	
- 3,081	-	-	-	- 185	- 3,266	
7,531	-	-	-	2,716	5,447	44,541
3,159	-	-	-	3,890	1,022	18,121
-	12,677	-	-	-	-	12,677
(782)	(123,125)	(12,071)	(215)	(387)	(14,387)	(151,910)
(222)	(17,399)	(150,898)	(5,475)	(143)	(22,519)	(197,573)
(114)	(6,045)	(1,044)	(3)	(54)	(1,221)	(8,698)
-	-	-	-	-	(110)	(110)
(25,313)	-	-	-	(9,188)	(11,219)	(65,648)
(4,721)	-	(31,510)	-	(2,240)	(515)	(38,986)
(2,113)	(56)	-	115	79	9,202	7,403
(22,575)	(67,119)	75,019	(57)	(5,327)	5,645	3,672
6,252	-	-	-	1,491	3,830	39,491
(5,360)	-	-	-	(2,060)	(3,676)	(25,466)
(5,638)	-	-	-	(3,019)	(1,391)	(18,975)
(176)	-	-	-	(49)	(38)	(357)
-	(184)	-	-	-	(9)	(193)
-	(106)	-	-	-	-	(106)
16,798	80,578	39,086	1	14,269	8,401	161,258
(66)	(5,179)	(119,582)	-	(5,715)	(7,008)	(139,425)
11,810	75,109	(80,496)	1	4,917	109	16,227
-	(954)	(536)	-	-	(4,857)	(6,347)
-	-	-	-	-	(17)	(17)
-	-	12	-	-	16	28
-	(954)	(524)	-	-	(4,858)	(6,336)
(4,262)	-	-	-	(1,893)	(159)	(6,314)
5,355	-	-	-	2,147	-	7,846
5,674	-	-	13	310	800	8,413
-	-	-	1	-	-	1
-	-	-	(1)	-	-	(1)
6,767	-	-	13	564	641	9,945
(3,998)	7,036	(6,001)	(43)	154	1,537	23,508
62,820	2,317	24,311	536	47,398	35,408	233,103
\$ 58,822	\$ 9,353	\$ 18,310	\$ 493	\$ 47,552	\$ 36,945	\$ 256,611

(continued on next page)

State of Oregon

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2002
(In Thousands)
(continued from previous page)

	<u>Energy Loan</u>	<u>Water Resources</u>	<u>Business Development</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating Income (Loss)	\$ 841	\$ (82)	\$ 707
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	-	-	-
Amortization of Bond/COP Premium and Discount	328	8	-
Amortization of Deferred Charges	-	-	-
Bad Debt Expense	177	-	-
Interest Income Reported as Operating Revenue	(950)	(175)	(199)
Investment Expense Reporting as Operating Expense	-	-	-
Interest Payments Reported as Operating Expense	9,015	172	-
Bond/COP Issuance Costs Reported as Operating Expense	8	-	-
Net Changes in Assets and Liabilities:			
Accounts and Interest Receivable	97	2	106
Due from Other Funds	-	-	-
Inventories	-	-	-
Prepaid Items	-	-	-
Loans Receivable	10,823	117	(2,825)
Accounts and Interest Payable	(253)	1	8
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Trust Funds Payable	162	-	-
Deferred Revenue	-	-	-
Compensated Absences Payable	(1)	(4)	3
Total Adjustments	<u>19,406</u>	<u>121</u>	<u>(2,907)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 20,247</u>	<u>\$ 39</u>	<u>\$ (2,200)</u>

Noncash Investing and Capital and Related Financing Activities:

Net Change in Fair Value of Investments	\$ (26)	\$ -	\$ -
Current Assets Transferred to Governmental Funds	-	-	-
Current Liabilities Transferred to Governmental Funds	-	-	-
Capital Leases Entered into During the Year	-	-	-
Total Noncash Investing and Capital and Related Financing Activities	<u>\$ (26)</u>	<u>\$ -</u>	<u>\$ -</u>

State of Oregon

<u>Special Public Works</u>	<u>State Hospitals</u>	<u>Liquor Control</u>	<u>Veterans' Home</u>	<u>Water</u>	<u>Other</u>	<u>Total</u>
\$ (3,084)	\$ (68,995)	\$ 76,129	\$ (364)	\$ (1,661)	\$ 9,170	\$ 12,661
-	1,074	586	331	-	1,321	3,312
12	-	-	-	3	168	519
101	-	-	-	99	11	211
-	-	-	-	-	500	677
(872)	-	-	(14)	(288)	(720)	(3,218)
-	-	-	1	-	-	1
5,379	-	-	-	2,741	1,417	18,724
10	-	-	-	8	17	43
(4,623)	7,924	17	102	270	454	4,349
-	609	-	-	-	(34)	575
-	(11)	8	-	-	545	542
-	-	(63)	(1)	-	(9)	(73)
(17,782)	-	-	-	(6,471)	(5,773)	(21,911)
64	(8,894)	(1,181)	(183)	(39)	(1,371)	(11,848)
-	1,210	-	-	-	(35)	1,175
394	-	-	-	(76)	10	328
(2,150)	2	-	69	79	-	(1,838)
-	-	(473)	-	-	-	(473)
(24)	(38)	(4)	2	8	(26)	(84)
(19,491)	1,876	(1,110)	307	(3,666)	(3,525)	(8,989)
\$ (22,575)	\$ (67,119)	\$ 75,019	\$ (57)	\$ (5,327)	\$ 5,645	\$ 3,672
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (88)	\$ -	\$ -	\$ -	\$ (22)	\$ -	\$ (136)
-	-	-	-	-	(64)	(64)
-	-	-	-	-	15	15
-	-	-	-	-	217	217
\$ (88)	\$ -	\$ -	\$ -	\$ (22)	\$ 168	\$ 32

Internal Service Funds

Internal Service Funds account for goods and services provided by state agencies or departments to other state agencies or departments and to other governmental units on a cost-reimbursement basis.

Central Services Fund

This fund accounts for activities to provide various services to state agencies. These services include accounting, budgeting, personnel, mail and shuttle, purchasing, printing, copy center, data center, property development, telecommunications, motor pool, and an insurance fund.

Legal Services Fund

This fund accounts for activities of the Department of Justice Attorney General's office to represent and advise the State's elected and appointed officials, agencies, boards and commissions.

Banking Services Fund

This fund accounts for activities of the Oregon State Treasury to provide banking, investment, and debt management services to state agencies.

Audit Services Fund

This fund accounts for activities of the Secretary of State, Audits Division, to provide independent auditing services to state agencies.

Forestry Services Fund

This fund accounts for activities of the Department of Forestry to operate an equipment and maintenance pool that provides transportation, heavy equipment and aircraft support for operating programs and other state agencies.

Other Internal Service Funds

This fund accounts for the sale of goods and services to other governmental units through activities not specifically accounted for in another internal service fund.

State of Oregon

**Combining Balance Sheet
Internal Service Funds
June 30, 2002
(In Thousands)**

	<u>Central Services</u>	<u>Legal Services</u>	<u>Banking Services</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 184,969	\$ 11,485	\$ 1,995
Investments	71,699	-	-
Securities Lending Cash Collateral	4,509	-	-
Accounts and Interest Receivable (net)	59,949	4,726	798
Due from Other Funds	26	346	-
Inventories	5,161	1,079	14
Prepaid Items	457	-	22
Total Current Assets	<u>326,770</u>	<u>17,636</u>	<u>2,829</u>
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	1,254	-	-
Investments - Restricted	24,025	-	-
Deferred Charges	205	-	-
Advances to Other Funds	825	-	-
Net Contracts, Notes and Other Receivables	-	31	-
Capital Assets:			
Land	8,871	-	-
Buildings, Property and Equipment	292,943	1,497	1,635
Construction in Progress	25,513	-	-
Infrastructure	534	-	-
Works of Art and Historical Treasures	27	-	-
Less Accumulated Depreciation and Amortization	<u>(132,349)</u>	<u>(1,061)</u>	<u>(1,515)</u>
Total Noncurrent Assets	<u>221,848</u>	<u>467</u>	<u>120</u>
Total Assets	\$ 548,618	\$ 18,103	\$ 2,949
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts and Interest Payable	\$ 9,691	\$ 3,252	\$ 607
Obligations Under Securities Lending	4,509	-	-
Due to Other Funds	-	1,221	-
Due to Other Governments	2	-	-
Bonds/COPS Payable	6,729	-	-
Trust Funds Payable	162,740	3	-
Deferred Revenue	5,191	2,153	-
Compensated Absences Payable	2,372	2,143	351
Total Current Liabilities	<u>191,234</u>	<u>8,772</u>	<u>958</u>
Noncurrent Liabilities:			
Bonds/COPS Payable	107,979	-	-
Claims and Judgments Payable	64,620	-	-
Arbitrage Rebate Payable	363	-	-
Contracts, Mortgages and Notes Payable	812	-	-
Advances from Other Funds	1,110	-	-
Total Noncurrent Liabilities	<u>174,884</u>	<u>-</u>	<u>-</u>
Total Liabilities	366,118	8,772	958
Net Assets:			
Invested in Capital Assets, Net of Related Debt	102,602	436	120
Unrestricted	79,898	8,895	1,871
Total Net Assets	<u>182,500</u>	<u>9,331</u>	<u>1,991</u>
Total Liabilities and Net Assets	\$ 548,618	\$ 18,103	\$ 2,949

State of Oregon

<u>Audit Services</u>	<u>Forestry Services</u>	<u>Other</u>	<u>Total</u>
\$ 1,350	\$ 3,412	\$ 6,871	\$ 210,082
-	-	-	71,699
-	-	-	4,509
50	128	5,550	71,201
-	-	23	395
-	534	88	6,876
-	-	8	487
1,400	4,074	12,540	365,249
 -	 -	 -	 1,254
 -	 -	 -	 24,025
 -	 -	 -	 205
 -	 9	 -	 834
 -	 -	 27	 58
 -	 -	 -	 8,871
168	16,390	6,174	318,807
 -	 -	 -	 25,513
 -	 -	 -	 534
 -	 -	 -	 27
(148)	(10,191)	(2,942)	(148,206)
20	6,208	3,259	231,922
\$ 1,420	\$ 10,282	\$ 15,799	\$ 597,171
 \$ 34	 \$ 126	 \$ 2,761	 \$ 16,471
 -	 -	 -	 4,509
 -	 9	 214	 1,444
 -	 -	 -	 2
 -	 -	 -	 6,729
 -	 -	 -	 162,743
 -	 -	 7,900	 15,244
218	132	1,128	6,344
252	267	12,003	213,486
 -	 -	 -	 107,979
 -	 -	 -	 64,620
 -	 -	 -	 363
 -	 -	 -	 812
 -	 -	 -	 1,110
 -	 -	 -	 174,884
252	267	12,003	388,370
 20	 6,199	 3,232	 112,609
1,148	3,816	564	96,192
 1,168	 10,015	 3,796	 208,801
\$ 1,420	\$ 10,282	\$ 15,799	\$ 597,171

State of Oregon

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2002
(In Thousands)**

	<u>Central Services</u>	<u>Legal Services</u>	<u>Banking Services</u>
Operating Revenues:			
Licenses and Fees	\$ 5	\$ -	\$ -
Charges for Services	117,302	42,647	9,909
Rents and Royalties	22,777	15	-
Sales	13,353	116	-
Other	733	89	-
Total Operating Revenues	<u>154,170</u>	<u>42,867</u>	<u>9,909</u>
Operating Expenses:			
Salaries and Wages	35,489	33,481	5,750
Services and Supplies	108,325	4,242	5,233
Cost of Goods Sold	15,938	-	-
Bond and COP Interest	6,307	-	-
Other Debt Service	75	-	-
Depreciation and Amortization	13,519	133	81
Total Operating Expenses	<u>179,653</u>	<u>37,856</u>	<u>11,064</u>
Operating Income (Loss)	<u>(25,483)</u>	<u>5,011</u>	<u>(1,155)</u>
Nonoperating Revenues (Expenses):			
Investment Income	8,715	-	-
Gain (Loss) on Disposition of Assets	344	-	-
Loan Interest Expense	(130)	-	-
Total Nonoperating Revenues (Expenses)	<u>8,929</u>	<u>-</u>	<u>-</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	(16,554)	5,011	(1,155)
Capital Contributions	250	-	-
Transfers from Other Funds	299,894	42	1,650
Transfers to Other Funds	(329,249)	(1,235)	(1,650)
Change in Net Assets	(45,659)	3,818	(1,155)
Net Assets - Beginning	227,924	5,513	3,146
Prior Period Adjustments	235	-	-
Cumulative Effect of Change in Accounting Principles	-	-	-
Net Assets - Beginning - As Restated	<u>228,159</u>	<u>5,513</u>	<u>3,146</u>
Net Assets - Ending	\$ 182,500	\$ 9,331	\$ 1,991

State of Oregon

<u>Audit Services</u>	<u>Forestry Services</u>	<u>Other</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 5
7,275	3,171	39,845	220,149
-	1,960	3	24,755
-	139	-	13,608
-	3	1,407	2,232
7,275	5,273	41,255	260,749
4,194	1,368	27,419	107,701
1,329	1,845	13,741	134,715
-	-	-	15,938
-	-	-	6,307
-	-	-	75
10	1,564	610	15,917
5,533	4,777	41,770	280,653
1,742	496	(515)	(19,904)
-	-	72	8,787
-	260	3	607
-	-	-	(130)
-	260	75	9,264
1,742	756	(440)	(10,640)
-	-	-	250
-	210	1,678	303,474
(1,528)	(243)	(1,081)	(334,986)
214	723	157	(41,902)
953	9,240	3,681	250,457
-	52	(38)	249
1	-	(4)	(3)
954	9,292	3,639	250,703
\$ 1,168	\$ 10,015	\$ 3,796	\$ 208,801

State of Oregon

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2002
(In Thousands)

	<u>Central Services</u>	<u>Legal Services</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 4,876	\$ 208
Receipts from Other Funds for Services	194,925	48,679
Payments to Employees for Services	(38,928)	(30,511)
Payments to Suppliers	(35,499)	(6,622)
Payments to Other Funds for Services	(10,843)	(1,946)
Claims Paid	(7,104)	(4)
Other Receipts (Payments)	7,792	50
Net Cash Provided (Used) in Operating Activities	<u>115,219</u>	<u>9,854</u>
Cash Flows from Noncapital Financing Activities:		
Transfers from Other Funds	300,759	42
Transfers to Other Funds	<u>(330,023)</u>	<u>(12)</u>
Net Cash Provided (Used) in Noncapital Financing Activities	<u>(29,264)</u>	<u>30</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Bond/COP Sales	44,884	-
Principal Payments on Bonds/COPS	(9,118)	-
Interest Payments on Bonds/COPS	(6,524)	-
Bond/COP Issuance Costs	(433)	-
Advances Received	480	-
Principal Payments on Advances	(586)	-
Interest Payments on Advances	(126)	-
Proceeds from Disposition of Capital Assets	914	-
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>29,491</u>	<u>-</u>
Cash Flows from Investing Activities:		
Purchases of Investments	(33,117)	-
Proceeds from Sales and Maturities of Investments	37,619	-
Interest on Investments and Cash Balances	8,441	-
Interest Income from Securities Lending	114	-
Interest Expense from Securities Lending	(100)	-
Net Cash Provided (Used) in Investing Activities	<u>12,957</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	128,403	9,884
Cash and Cash Equivalents - Beginning	<u>57,820</u>	<u>1,601</u>
Cash and Cash Equivalents - Ending	<u>\$ 186,223</u>	<u>\$ 11,485</u>

State of Oregon

<u>Banking Services</u>	<u>Audit Services</u>	<u>Forestry Services</u>	<u>Other</u>	<u>Total</u>
\$ -	\$ -	\$ 43	\$ 13	\$ 5,140
9,943	7,524	5,252	44,296	310,619
(5,811)	(4,245)	(1,375)	(25,241)	(106,111)
(4,603)	(973)	(3,485)	(10,446)	(61,628)
(714)	(365)	(82)	(4,517)	(18,467)
-	-	-	(16)	(7,124)
-	-	(26)	2	7,818
<u>(1,185)</u>	<u>1,941</u>	<u>327</u>	<u>4,091</u>	<u>130,247</u>
1,650	-	210	1,670	304,331
<u>(1,650)</u>	<u>(1,528)</u>	<u>(234)</u>	<u>(872)</u>	<u>(334,319)</u>
<u>-</u>	<u>(1,528)</u>	<u>(24)</u>	<u>798</u>	<u>(29,988)</u>
-	-	-	-	44,884
-	-	-	-	(9,118)
-	-	-	-	(6,524)
-	-	-	-	(433)
-	-	-	-	480
-	-	-	-	(586)
-	-	-	-	(126)
-	-	263	40	1,217
<u>-</u>	<u>-</u>	<u>263</u>	<u>40</u>	<u>29,794</u>
-	-	-	-	(33,117)
-	-	-	-	37,619
-	-	-	38	8,479
-	-	-	-	114
-	-	-	-	(100)
<u>-</u>	<u>-</u>	<u>-</u>	<u>38</u>	<u>12,995</u>
<u>(1,185)</u>	<u>413</u>	<u>566</u>	<u>4,967</u>	<u>143,048</u>
<u>3,180</u>	<u>937</u>	<u>2,846</u>	<u>1,904</u>	<u>68,288</u>
<u>\$ 1,995</u>	<u>\$ 1,350</u>	<u>\$ 3,412</u>	<u>\$ 6,871</u>	<u>\$ 211,336</u>

(continued on next page)

State of Oregon

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2002

(In Thousands)

(continued from previous page)

	<u>Central Services</u>	<u>Legal Services</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ (25,483)	\$ 5,011
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	13,519	133
Amortization of Bond/COP Premium and Discount	40	-
Amortization of Deferred Charges	31	-
Interest Payments Reported as Operating Expense	6,307	-
Bond/COP Issuance Costs Reported as Operating Expense	75	-
Net Changes in Assets and Liabilities:		
Accounts and Interest Receivable	51,843	4,118
Due from Other Funds	992	(200)
Inventories	(3,401)	18
Prepaid Items	(1)	-
Deferred Charges	562	-
Accounts and Interest Payable	(95,828)	(274)
Due to Other Funds	(783)	(1,221)
Trust Funds Payable	162,179	3
Deferred Revenue	5,050	2,153
Compensated Absences Payable	117	113
Total Adjustments	<u>140,702</u>	<u>4,843</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 115,219</u>	<u>\$ 9,854</u>
 Noncash Investing and Capital and Related Financing Activities:		
Net Change in Fair Value of Investments	\$ 390	\$ -
Sale of Capital Assets on Contract	-	-
Total Noncash Investing and Capital and Related Financing Activities	<u>\$ 390</u>	<u>\$ -</u>

State of Oregon

<u>Banking Services</u>	<u>Audit Services</u>	<u>Forestry Services</u>	<u>Other</u>	<u>Total</u>
\$ (1,155)	\$ 1,742	\$ 496	\$ (515)	\$ (19,904)
81	10	1,564	610	15,917
-	-	-	-	40
-	-	-	-	31
-	-	-	-	6,307
-	-	-	-	75
35	235	(7)	(4,821)	51,403
-	15	30	(23)	814
(1)	-	(281)	(5)	(3,670)
(22)	-	-	-	(23)
-	-	-	-	562
(70)	(42)	(1,458)	763	(96,909)
-	-	9	214	(1,781)
-	-	(26)	-	162,156
-	-	-	7,900	15,103
(53)	(19)	-	(32)	126
<u>(30)</u>	<u>199</u>	<u>(169)</u>	<u>4,606</u>	<u>150,151</u>
<u>\$ (1,185)</u>	<u>\$ 1,941</u>	<u>\$ 327</u>	<u>\$ 4,091</u>	<u>\$ 130,247</u>
\$ -	\$ -	\$ -	\$ -	\$ 390
-	-	(10)	-	(10)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10)</u>	<u>\$ -</u>	<u>\$ 380</u>

Fiduciary Funds – Combining Pension Trust and Private Purpose Trust

Pension Trust Funds

Pension Trust Funds account for the transactions, assets, liabilities, and net assets held in trust for public employees by the Public Employees Retirement System for the payment of retirement, disability, postemployment healthcare, and death benefits to members of the retirement system.

Public Employees Retirement Fund

This fund accounts for the activities of the defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. The plan is administered by the Public Employees Retirement Board under Oregon Revised Statutes, Chapter 238 and Internal Revenue Code Section 401(a).

Postemployment Healthcare Fund

This fund accounts for the transactions, assets, liabilities, and net assets related to medical and hospital insurance coverage contracted on behalf of retired members of the Public Employees Retirement System.

Deferred Compensation Fund

This fund accounts for the activities of the Deferred Compensation Program, an Internal Revenue Code Section 457 compensation plan, offered to employees of the State and administered by the Public Employees Retirement System.

Private Purpose Trust Funds

Private Purpose Trust Funds account for all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

Common School Fund

This fund accounts for the principal and interest derived from the sale of specific timber, land, and property escheated to the State. The earnings must be used for educational purposes.

Other Private Purpose Trust Funds

This fund accounts for all other private purpose trust funds, the principal and earnings of which benefit individuals, private organizations, or other governments.

State of Oregon

Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2002
(In Thousands)

	Public				
	Employees Retirement	Postemployment Healthcare	Deferred Compensation	Total	
ASSETS					
Cash and Cash Equivalents	\$ 2,250,021	\$ 36,998	\$ 1,215	\$ 2,288,234	
Receivables:					
Employer Contributions	34,392	2,075	-	36,467	
Employee Contributions	19,482	3,962	-	23,444	
Interest and Dividends	113,641	-	-	113,641	
Investment Sales	898,544	-	-	898,544	
From Other Funds	1,420	1,051	-	2,471	
From Other Governments	-	-	39	39	
Total Receivables	<u>1,067,479</u>	<u>7,088</u>	<u>39</u>	<u>1,074,606</u>	
Investments:					
Fixed Income	10,430,374	-	-	10,430,374	
Equity	18,463,084	-	-	18,463,084	
Real Estate	1,728,688	-	-	1,728,688	
Alternative Equity	3,517,298	-	-	3,517,298	
Postemployment Health Commingled Investments	-	76,037	-	76,037	
Mutual Funds	-	-	545,090	545,090	
Total Investments	<u>34,139,444</u>	<u>76,037</u>	<u>545,090</u>	<u>34,760,571</u>	
Securities Lending Cash Collateral	2,091,465	-	-	2,091,465	
Inventories	5	-	-	5	
Prepaid Items	156	-	-	156	
Capital Assets (net of accumulated depreciation):					
Land	836	-	-	836	
Buildings, Property and Equipment	6,543	-	-	6,543	
Total Assets	39,555,949	120,123	546,344	40,222,416	
LIABILITIES					
Accounts and Interest Payable	2,669,750	1,904	183	2,671,837	
Obligations Under Securities Lending	2,091,465	-	-	2,091,465	
Due to Other Funds	-	2,355	116	2,471	
Trust Funds Payable	107,811	-	-	107,811	
Bonds/COPS Payable	53,337	-	-	53,337	
Total Liabilities	4,922,363	4,259	299	4,926,921	
NET ASSETS					
Held in Trust for:					
Employees' Pension Benefits	34,633,586	-	-	34,633,586	
Employees' Postemployment Healthcare Benefits	-	115,864	-	115,864	
Individuals, Organizations and Other Governments	-	-	546,045	546,045	
Total Net Assets	\$ 34,633,586	\$ 115,864	\$ 546,045	\$ 35,295,495	

State of Oregon

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2002
(In Thousands)

	Public			
	Employees	Postemployment	Deferred	
	Retirement	Healthcare	Compensation	Total
ADDITIONS				
Contributions:				
Employer	\$ 989,079	\$ 41,579	\$ -	\$ 1,030,658
Employee	391,542	52,274	47,473	491,289
Other Sources	20,939	-	-	20,939
Total Contributions	<u>1,401,560</u>	<u>93,853</u>	<u>47,473</u>	<u>1,542,886</u>
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	(3,192,613)	(4,446)	(40,800)	(3,237,859)
Interest, Dividends and Other Investment Income	983,557	-	-	983,557
Total Investment Income (Loss)	<u>(2,209,056)</u>	<u>(4,446)</u>	<u>(40,800)</u>	<u>(2,254,302)</u>
Less Investment Expense	213,256	-	1,610	214,866
Net Investment Income (Loss)	<u>(2,422,312)</u>	<u>(4,446)</u>	<u>(42,410)</u>	<u>(2,469,168)</u>
Other Income	257	902	544	1,703
Total Additions	<u>(1,020,495)</u>	<u>90,309</u>	<u>5,607</u>	<u>(924,579)</u>
DEDUCTIONS				
Pension Benefits	1,677,951	-	41,150	1,719,101
Death Benefits	10,121	-	-	10,121
Contributions Refunded	46,087	-	-	46,087
Healthcare Premium Subsidies	17,457	74,159	-	91,616
Administrative Expenses	-	2,225	685	2,910
Total Deductions	<u>1,751,616</u>	<u>76,384</u>	<u>41,835</u>	<u>1,869,835</u>
Change in Net Assets Held in Trust For:				
Employees' Pension Benefits	(2,772,111)	-	-	(2,772,111)
Employees' Postemployment Healthcare Benefits	-	13,925	-	13,925
Individuals, Organizations and Other Governments	-	-	(36,228)	(36,228)
Net Assets - Beginning	<u>37,405,697</u>	<u>101,939</u>	<u>-</u>	<u>37,507,636</u>
Cumulative Effect of Change in Accounting Principles	-	-	582,273	582,273
Net Assets - Beginning - As Restated	<u>37,405,697</u>	<u>101,939</u>	<u>582,273</u>	<u>38,089,909</u>
Net Assets - Ending	<u>\$ 34,633,586</u>	<u>\$ 115,864</u>	<u>\$ 546,045</u>	<u>\$ 35,295,495</u>

State of Oregon

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds
June 30, 2002
(In Thousands)

	Common			
	School	Other		Total
ASSETS				
Cash and Cash Equivalents	\$ 18,059	\$ 31,153		\$ 49,212
Receivables:				
Interest and Dividends	901	-		901
Investment Sales	8,793	-		8,793
Accounts	9	661		670
From Other Funds	809	2		811
Total Receivables	<u>10,512</u>	<u>663</u>		<u>11,175</u>
Investments:				
Fixed Income	110,315	-		110,315
Real Estate	5,399	-		5,399
Mutual Funds	588,994	-		588,994
Total Investments	<u>704,708</u>	<u>-</u>		<u>704,708</u>
Cash and Securities Held in Trust	682	2,630		3,312
Securities Lending Cash Collateral	9,030	1,525		10,555
Inventories	26	-		26
Prepaid Items	17	-		17
Advance to Other Funds	424	-		424
Net Contracts, Notes and Other Receivables	160	252		412
Conservatorship and Custodial Assets	-	4,558		4,558
Loans Receivable	2,106	455		2,561
Capital Assets (net of accumulated depreciation):				
Land	789	-		789
Buildings, Property and Equipment	448	-		448
Infrastructure	3,254	-		3,254
Works of Art and Historical Treasures	25	-		25
Total Assets	<u>750,240</u>	<u>41,236</u>		<u>791,476</u>
LIABILITIES				
Accounts and Interest Payable	39,338	18		39,356
Obligations Under Securities Lending	9,030	1,525		10,555
Due to Other Funds	697	33		730
Trust Funds Payable	132,108	2,401		134,509
Compensated Absences Payable	234	-		234
Contracts, Mortgages and Notes Payable	-	1,159		1,159
Total Liabilities	<u>181,407</u>	<u>5,136</u>		<u>186,543</u>
NET ASSETS				
Held in Trust for:				
Individuals, Organizations and Other Governments	<u>568,833</u>	<u>36,100</u>		<u>604,933</u>
Total Net Assets	<u>\$ 568,833</u>	<u>\$ 36,100</u>		<u>\$ 604,933</u>

State of Oregon

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Year Ended June 30, 2002
(In Thousands)

	<u>Common School</u>	<u>Other</u>	<u>Total</u>
ADDITIONS			
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	\$ (81,694)	\$ -	\$ (81,694)
Interest, Dividends, and Other Investment Income	18,072	654	18,726
Total Investment Income (Loss)	(63,622)	654	(62,968)
Less Investment Expense	365	-	365
Net Investment Income (Loss)	(63,987)	654	(63,333)
Licenses and Fees	1,161	-	1,161
Charges for Services	28	3	31
Fines and Forfeitures	29	-	29
Rents and Royalties	3,053	-	3,053
Sales	12	-	12
Other Income	334	12,459	12,793
Transfers from Other Funds	13,815	1,457	15,272
Total Additions	(45,555)	14,573	(30,982)
DEDUCTIONS			
Administrative Expenses	7,234	9,803	17,037
Payments in Accordance with Trust Agreements	7,831	952	8,783
Transfers to Other Funds	4,913	3,380	8,293
Total Deductions	19,978	14,135	34,113
Change in Net Assets Held in Trust For:			
Individuals, Organizations and Other Governments	(65,533)	438	(65,095)
Net Assets - Beginning	-	-	-
Cumulative Effect of Change in Accounting Principles	632,062	34,218	666,280
Prior Period Adjustments	2,304	1,444	3,748
Net Assets - Beginning - As Restated	634,366	35,662	670,028
Net Assets - Ending	\$ 568,833	\$ 36,100	\$ 604,933



Statistical Section

State of Oregon

Schedule 1

GENERAL GOVERNMENTAL¹
REVENUES BY SOURCE, EXPENDITURES BY FUNCTION,
AND OTHER FINANCING SOURCES AND USES

**Last Ten Fiscal Years
(In Thousands)**

	2002	2001	2000	1999
Revenues by Source:				
Taxes	\$ 5,728,923	\$ 5,901,345	\$ 6,110,160	\$ 5,579,519
Licenses and Fees	275,439	333,358	352,353	310,615
Federal	3,767,499	3,383,853	3,137,946	3,017,941
Charges for Services	232,711	222,600	207,162	223,287
Fines and Forfeitures	81,899	90,661	85,654	69,966
Rents and Royalties	6,331	7,671	8,091	7,133
Investment Income	90,423	175,939	128,160	123,171
Sales	112,287	75,377	94,287	67,671
Donations and Grants	116,152	106,476	-	-
Tobacco Settlement Proceeds	86,524	-	-	-
Other	280,478	261,158	310,110	267,347
Total Revenues	\$ 10,778,666	\$ 10,558,438	\$ 10,433,923	\$ 9,666,650
Expenditures by Function:				
Education	\$ 3,347,415	\$ 3,183,306	\$ 3,123,368	\$ 2,630,392
Human Resources	4,402,681	3,926,443	3,576,521	3,341,097
Public Safety	778,997	762,298	688,629	652,760
Economic and Community Development	281,481	275,564	219,565	217,494
Natural Resources	460,214	431,932	402,735	369,058
Transportation	1,016,600	1,081,340	1,072,694	1,121,734
Consumer and Business Services	323,653	271,885	253,353	233,475
Administration	511,415	447,809	471,360	591,200
Legislative	26,718	31,993	24,697	26,950
Judicial	231,580	212,879	204,536	182,930
Revenue and Collections	-	-	-	-
Capital Outlay	81,681	121,422	90,396	276,511
Debt Service	122,537	73,506	49,876	79,228
Total Expenditures	\$ 11,584,972	\$ 10,820,377	\$ 10,177,730	\$ 9,722,829
Other Financing Sources (Uses):				
Transfers from Other Funds	\$ 3,300,534	\$ 2,624,217	\$ 2,407,598	\$ 1,298,357
Transfers to Other Funds	(3,438,615)	(2,746,653)	(2,578,061)	(1,359,677)
Net Debt Proceeds	292,304	142,329	358,726	179,413
Leases Incurred	7	-	854	1,519
Contributions to Permanent Funds	48,638	-	-	-
Other	-	-	-	-
Total Other Financing Sources (Uses)	\$ 202,868	\$ 19,893	\$ 189,117	\$ 119,612

¹ Includes all governmental funds (general, special revenue, debt service, capital projects, and permanent funds)

State of Oregon

1998	1997	1996	1995	1994	1993
\$ 5,095,593	\$ 4,452,085	\$ 4,707,049	\$ 3,846,355	\$ 3,832,109	\$ 3,497,158
291,703	257,618	275,104	251,592	247,521	234,277
2,732,897	2,737,138	2,622,274	2,171,824	1,971,585	1,792,351
173,043	177,224	137,721	217,158	155,254	123,145
53,369	36,751	43,535	68,715	73,875	57,929
6,832	6,792	8,690	6,522	8,014	5,515
137,219	145,776	115,703	96,356	72,250	94,711
59,049	87,690	64,556	76,129	63,384	54,754
-	-	-	-	-	-
-	-	-	-	-	-
223,013	229,486	256,765	153,202	157,609	127,015
\$ 8,772,718	\$ 8,130,560	\$ 8,231,397	\$ 6,887,853	\$ 6,581,601	\$ 5,986,855
\$ 2,817,786	\$ 2,304,252	\$ 2,308,948	\$ 1,916,445	\$ 1,560,697	\$ 1,503,949
2,893,283	2,826,898	2,844,028	2,444,912	2,155,908	1,887,436
570,219	533,181	436,165	340,128	319,264	278,300
205,662	246,847	249,818	176,418	144,145	365,498
311,007	327,784	281,263	342,777	295,646	252,746
1,081,604	1,026,580	945,036	972,023	906,787	796,220
227,828	222,988	204,753	186,598	170,869	-
444,912	532,906	438,883	266,411	242,734	356,600
18,897	22,545	17,092	21,256	17,488	21,639
174,052	163,949	151,152	111,240	181,372	131,793
-	-	-	153,573	145,363	-
168,103	179,275	64,044	25,756	20,799	19,067
94,428	77,723	65,756	61,131	62,625	84,746
\$ 9,007,781	\$ 8,464,928	\$ 8,006,938	\$ 7,018,668	\$ 6,223,697	\$ 5,697,994
\$ 1,400,321	\$ 1,632,170	\$ 1,923,004	\$ 758,656	\$ 657,034	\$ 688,555
(1,496,440)	(1,625,033)	(1,942,027)	(829,259)	(790,072)	(929,831)
77,806	193,086	269,696	10,687	138,537	135,952
382	25	604	279	5,969	2,495
-	-	-	-	-	-
-	123	19	1,046	(67)	(47,620)
\$ (17,931)	\$ 200,371	\$ 251,296	\$ (58,591)	\$ 11,401	\$ (150,449)

State of Oregon

Schedule 2

NET GENERAL OBLIGATION DEBT PER CAPITA

**Last Ten Fiscal Years
(In Thousands)**

Fiscal Year	Total General Obligation Debt	Debt Payable from Enterprise Revenues ¹	Net General Obligation Debt	Population ²	Net General Obligation Debt Per Capita
1993	\$ 4,908,728	\$ 4,469,319	\$ 439,409	3,060	\$ 144
1994	4,619,048	4,162,603	456,445	3,121	146
1995	4,267,729	3,794,306	473,423	3,184	149
1996	3,745,104	3,298,026	447,078	3,247	138
1997	3,336,916	2,889,375	447,541	3,304	135
1998	2,997,606	2,522,815	474,791	3,352	142
1999	2,479,010	1,987,907	491,103	3,394	145
2000	2,429,380	1,855,860	573,520	3,437	167
2001	2,282,942	1,730,676	552,266	3,472	159
2002	2,386,884	2,318,169	68,715	3,507	20

¹ Beginning in 2002, includes debt of Oregon University System, reported in an enterprise fund in accordance with the new reporting model (formerly reported in college and university funds).

² Source: Oregon Department of Administrative Services, Office of Economic Analysis; based on census 2000 data.

State of Oregon

Schedule 3

LEGAL DEBT MARGIN

As of June 30, 2002

	Legal Debt Limit^{1,2}	Amount Outstanding³	Debt Margin
General Obligation Bonds			
Oregon University System	\$ 4,110,486,464	\$ 637,326,492 ⁴	\$ 3,473,159,972
Pollution Control	260,000,000	58,750,000	201,250,000
Veterans' Welfare	21,922,594,476	1,228,375,561	20,694,218,915
Alternate Energy	1,370,162,155	182,834,376	1,187,327,779
Water Resources	4,110,486,464	2,433,664	4,108,052,800
State Highway	2,740,324,309	2,845,000	2,737,479,309
Elderly and Disabled Housing	1,370,162,155	273,292,570	1,096,869,585
General Purpose	50,000	-	50,000
Oregon School Bond Guarantee	1,370,162,155	-	1,370,162,155
State Power Development	4,110,486,464	-	4,110,486,464
Forest Rehabilitation ⁵	513,810,808	-	513,810,808
Total General Obligation Bonds	<u>\$ 41,878,725,450</u>	<u>\$ 2,385,857,663</u>	<u>\$ 39,492,867,787</u>
 Revenue Bonds⁶			
Highway User Tax	\$ 500,000,000	\$ 283,396,979	\$ 216,603,021
Economic Development Bond Bank	400,000,000	158,010,947	241,989,053
Single & Multi-Family Housing Programs	2,000,000,000	1,258,470,652	741,529,348
State Fair & Exposition Center	10,000,000	2,535,000	7,465,000
Transportation Infrastructure Bank	200,000,000	-	200,000,000
Public Employees Retirement System	-	46,100,000	-
Oregon Health and Science University	-	315,505,931	-
Lottery Revenue Bonds ⁹	-	488,267,607	-
Total Revenue Bonds	<u>\$ 3,110,000,000</u>	<u>\$ 2,552,287,116</u>	<u>\$ 1,407,586,422</u>

¹ Oregon State Treasury, Debt Management Division.

² Based on the January 1, 2001 True Cash Value (TCV) of \$274,032,430,944.

³ Excludes refunded and defeased bonds.

⁴ Includes \$7,120,000 of Community College Workforce Development outstanding bonds.

⁵ Issuance of Forest Rehabilitation bonds is limited by statute to \$750,000 per year.

⁶ Revenue bonds schedule does not crossfoot as some columns are not applicable to all items.

⁷ Debt was assumed by Public Employees Retirement System as a guarantor; debt limit and debt margin are not applicable.

⁸ The Uniform Revenue bond Act authorizes Oregon Health and Science University to issue revenue bonds, but does not establish a specific legal debt limit amount.

⁹ Consolidated total for all lottery-backed revenue bonds.

¹⁰ The legal debt limit for lottery revenue bonds is based on the requirement that unobligated net lottery proceeds be at least 400 percent of the maximum annual debt service on outstanding bonds, including the estimated debt service on any proposed new bonds.

State of Oregon

Schedule 4

**REVENUE BOND COVERAGE
LOTTERY REVENUE BONDS**

**Last Eight Fiscal Years
(In Thousands)**

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1995	\$ 664,193	\$ 401,467	\$ 262,726	\$ 3,060	\$ 6,940	\$ 10,000	26.27
1996	695,121	415,743	279,378	4,420	5,577	9,997	27.95
1997	721,992	429,629	292,363	4,640	5,356	9,996	29.25
1998	716,336	427,938	288,398	4,875	5,124	9,999	28.84
1999	726,693	430,139	296,554	5,670	5,955	11,625	25.51
2000	761,913	456,855	305,058	13,190	17,459	30,649	9.95
2001	794,787	473,729	321,058	16,535	21,775	38,310	8.38
2002	820,646	489,470	331,176	27,295	23,441	50,736	6.53

Note: Ten years of data are not presented as lottery bonds have only been outstanding for eight years. The State also has revenue bonds that are primarily paid using loan repayments. Schedules for these bonds are not presented because an association of net revenues with debt service requirements is not meaningful.

Schedule 5

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT¹
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

**Last Ten Fiscal Years
(In Thousands)**

Fiscal Year	Principal	Interest²	Total Debt Service	Total General Governmental Expenditures³	Ratio of Debt Service to General Governmental Expenditures
1993	\$ 33,385	\$ 7,724	\$ 41,109	\$ 5,697,994	0.72%
1994	39,980	9,417	49,397	6,223,697	0.79%
1995	26,695	8,728	35,423	7,018,668	0.50%
1996	20,335	7,199	27,534	8,006,938	0.34%
1997	22,485	6,429	28,914	8,464,928	0.34%
1998	18,250	5,504	23,754	9,007,781	0.26%
1999	17,035	4,872	21,907	9,722,829	0.23%
2000	10,800	4,066	14,866	10,177,730	0.15%
2001	9,800	4,286	14,086	10,820,377	0.13%
2002	9,130	3,840	12,970	11,584,972	0.11%

¹ Excludes general obligation bonds reported in enterprise funds.

² Excludes bond issuance costs.

³ Includes all governmental funds (general, special revenue, debt service, capital projects, and permanent funds).

Schedule 6

OREGON'S TEN LARGEST PRIVATE EMPLOYERS

As of April 2002

<u>Firm Name</u>	<u>Primary Industry</u>	<u>Average Number of Employees</u>
The Kroger Company (Fred Meyer)	Department store	13,300
Providence Health System	Integrated health system	12,800
Intel Corporation	Semiconductors and related devices	12,000
Safeway Stores, Inc.	Grocery store	11,500
Oregon Health and Science University	Hospital, medical and surgical	10,100
Legacy Emanuel Hospital & Health	Hospital, medical and surgical	7,200
Wal Mart Stores, Inc.	Department store	7,200
Kaiser Permanente	Offices and clinics of doctors of medicine	7,100
Hewlett-Packard Company	Semiconductors and related devices	5,200
Roseburg Forest Products Company	Plywood and veneer, softwood	4,600

Source: Oregon Economic and Community Development Department

State of Oregon

Schedule 7

**COMPARATIVE POPULATION GROWTH
OREGON AND UNITED STATES**

**Last Ten Calendar Years
(In Thousands)**

<u>Year</u>	<u>Oregon¹</u>	<u>Percent Change</u>	<u>United States²</u>	<u>Percent Change</u>
1992	2,992	2.15%	256,514	1.40%
1993	3,060	2.27%	259,919	1.33%
1994	3,121	1.99%	263,126	1.23%
1995	3,184	2.02%	266,278	1.20%
1996	3,247	1.98%	269,394	1.17%
1997	3,304	1.76%	272,647	1.21%
1998	3,352	1.45%	275,854	1.18%
1999	3,394	1.25%	279,040	1.15%
2000	3,437	1.27%	282,125	1.11%
2001	3,472	1.02%	284,797	0.95%

Sources:

¹ Oregon Department of Administrative Services, Office of Economic Analysis; based on 2000 census data.

² U.S. Bureau of Census; based on 2000 census data.

State of Oregon

Schedule 8

COMPARATIVE PER CAPITA INCOME

Last Ten Calendar Years

<u>Year</u>	<u>Oregon¹</u>	<u>Percent Change</u>	<u>United States²</u>	<u>Percent Change</u>	<u>Oregon as Percent of United States</u>
1992	\$ 19,441	3.7%	\$ 20,960	4.7%	92.8%
1993	20,232	4.1%	21,539	2.8%	93.9%
1994	21,187	4.7%	22,340	3.7%	94.8%
1995	22,362	5.6%	23,255	4.1%	96.2%
1996	23,270	4.1%	24,270	4.4%	95.9%
1997	24,385	4.8%	25,412	4.7%	96.0%
1998	25,446	4.4%	26,893	5.8%	94.6%
1999	26,248	3.2%	27,880	3.7%	94.1%
2000	27,760	5.8%	29,770	6.8%	93.3%
2001	28,175	1.5%	30,472	2.4%	92.5%

Sources:

¹ Calculated based on population figures from the Oregon Department of Administrative Services, Office of Economic Analysis and personal income figures from the U.S. Bureau of Economic Analysis.

² Calculated based on population figures from the U.S. Bureau of Census and personal income figures from the U.S. Bureau of Economic Analysis.

State of Oregon

Schedule 9

COMPARATIVE EMPLOYMENT AND UNEMPLOYMENT RATES

Last Ten Calendar Years
(Annual Averages, In Thousands)

<u>Year</u>	<u>Civilian Labor Force</u>		<u>Unemployment</u>		<u>Unemployment Rate</u>		<u>Oregon Rate as Percent of United States Rate</u>
	<u>Oregon¹</u>	<u>United States²</u>	<u>Oregon¹</u>	<u>United States²</u>	<u>Oregon¹</u>	<u>United States²</u>	
1992	1,542	128,105	116	9,613	7.5%	7.5%	100%
1993	1,596	129,200	116	8,940	7.3%	6.9%	106%
1994	1,650	131,056	90	7,996	5.5%	6.1%	90%
1995	1,653	132,304	80	7,404	4.8%	5.6%	86%
1996	1,718	133,943	102	7,236	5.9%	5.4%	109%
1997	1,728	136,297	101	6,739	5.8%	4.9%	118%
1998	1,765	137,673	99	6,210	5.6%	4.5%	124%
1999	1,761	139,368	100	5,880	5.7%	4.2%	136%
2000	1,803	140,863	88	5,655	4.9%	4.0%	123%
2001	1,794	141,815	114	6,742	6.4%	4.8%	133%

Sources:

¹ Oregon Employment Department

² U.S. Bureau of Labor Statistics

State of Oregon

Schedule 10

OREGON EXPORTS TO THE WORLD
By Industry Classification

	Last Ten Calendar Years (In Millions)									
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>
High Technology	\$ 4,911	\$ 7,517	\$ 6,588	\$ 5,397	\$ 5,110	\$ 4,731	\$ 4,294	\$ 2,601	\$ 2,234	\$ 1,852
Wood Products	573	785	712	795	1,195	1,215	1,404	1,433	1,288	1,294
Transportation	617	894	1,176	699	491	371	358	412	296	234
Other Manufacturing	665	924	672	524	472	443	348	276	236	191
Metals	329	383	370	483	468	348	347	326	284	326
Plastics and Rubber Products	53	63	84	68	77	78	75	55	50	26
Printing and Publishing	40	31	26	32	33	33	29	35	33	35
Agriculture	1,482	1,543	1,559	1,667	2,025	2,356	2,375	1,925	1,572	1,578
Fisheries	34	32	26	20	27	31	40	40	29	21
Other Non-Manufacturing	198	276	232	157	171	168	168	143	105	83
Total Exports to the World	\$ 8,902	\$ 12,448	\$ 11,445	\$ 9,842	\$ 10,069	\$ 9,774	\$ 9,438	\$ 7,246	\$ 6,127	\$ 5,640

Source: Oregon Department of Administrative Services, Office of Economic Analysis

Schedule 11

MISCELLANEOUS STATISTICS

Date Entered Union ¹	1859
Form of Government	Representative form of Government with three Branches: Executive, Legislative and Judicial
Land Area:	
Square Miles ¹	96,002
Inland Water Area (square miles) ¹	1,129
Coastline (miles) ¹	362
Population ²	3,471,700
Miles of State Highway ³	7,500
Higher Education:	
Community Colleges:	
Number of Campuses ¹	17
Number of Students ⁵	403,931
State Universities:	
Number of Campuses ¹	7
Number of Regular Term Students ⁶	101,920
Recreation:	
Number of State Parks ⁴	230
Area of State Parks (acres) ¹	94,000
Area of State Forests (acres) ¹	780,000

Sources:

¹ Oregon Blue Book 2001-2002

² Oregon Department of Administrative Services, Office of Economic Analysis

³ Oregon Department of Transportation

⁴ Oregon Parks and Recreation Department

⁵ Oregon Department of Community Colleges and Workforce Development

⁶ Oregon University System